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HONGKONG'S PUBLIC SERVICES COMMISSION

It is one of the secrets of Hongkong's success as a Colony that even if its meteorological hazards occasionally seem marked, its anticipation of the "waves of the future," both large and little, has proved almost uncannily sound. For the past year or so Singapore especially and Malaya less volubly have been clamouring for what they call "Malayanisation." In the hands of petty politicians it develops much unnecessary animosity, drives away both the indispensable scientist, technologist, teacher and engineer, and the expatriate who is not indispensable. But it is an idea with sound common-sense behind it, and one entirely consistent with British traditions in the Far East, whether view from the narrow standpoint of a small Treaty Port Concession—where Chinese Councillors first practised the arts of local democracy and decent municipal administration—or from the far-ranging historical viewpoint such as the relinquishment of responsibility for the whole Indian sub-continent.

The annual departmental reports of the Hongkong Government included recently the report of the Chairman of the Public Services Commission, Mr. J. R. Jones. The Colony is indeed fortunate to have the honorary services of this unusually qualified and experienced aide, who apart from his long legal career, and his present duties as legal adviser to the Hongkong Bank, also exercised during a very trying period great administrative responsibility in the Shanghai International Settlement. Mr. Jones has taken the opportunity to transform the annual report of the Commission into a striking survey of

its work during the five years of its existence as it is now constituted. It is a document of no small importance in its revelation of the sound lines on which the Commission and the Government have been working in recruiting and training local men to take over, wherever possible, from the expatriate.

It is entirely appropriate that Hongkong should take the lead in this matter, for this Colony has always had a character and characteristics peculiarly its own. One of them is the dislike and even the mistrust of politics—an attitude against which those who have made politics their hobby have long battled without much success though not wholly in vain. This is the obverse side of the picture which, as depicted in the Public Services Commission's Report, shows how far-ranging have been the efforts to develop and enlist local talent to take over the responsibilities of administration. Hongkong may be behind in expanding politicians of the type who have for the past two years dominated the scene in Singapore; it has been in the vanguard in introducing local men into the seats of real administrative responsibility. And there are still some people who believe that the permanent public servant, be he never so humble, is ever so much more important and effective in the art of government than his nominal superior who owes his place to his skill in the arts of oratory—and sometimes of log-rolling.

One of the difficulties is that government tends to grow more and more technical, and to depend on the specialist in a hundred and one lines of profes-

sional competence and variety. The Commission has consistently advised the appointment of local candidates whenever vacancies can be filled locally by suitably qualified persons. In no case has the Commission advised that an applicant should be given expatriation pay if a candidate, both qualified and suitable, has come forward who can be appointed on terms for local engagement. Only in eleven cases in 1954 and seven in 1955 did the Commission advise the local appointment of officers with expatriation pay. In none of them was there a candidate available after local advertisement both qualified and suitable who could be appointed on non-expatriate terms.

The Commission, says Mr. Jones, has throughout been conscious of the difficulties and the apparent discrimination caused by the application of the principles governing expatriation pay. It has considered it its duty, however, to apply these principles consistently because they represent the declared policy of Government, and because any departure from uniformity would increase rather than tend in the long run to eliminate apparent unequal treatment, and also because the work of the Commission would be stultified if it once deviated from principle. Where necessary in the interests of efficiency, such as in the case of Revenue Inspectors Class I required in 1950, the considerations of a reliable preventive service came first. But where local talent is unavailable or lacks the specific qualifications required in the infinite variety of modern government, many measures were and are being taken to provide for the necessary training in these many aspects of specialisation. As a result more and more local people are entering into the specialist classes in education, in nursing, in electrical and waterworks and other utilities, in public works, and as assessors. In contrast to the number of vacancies referred to London—91 in 1954 and 64 in 1955—there were 586 and 1,165 local appointments made in these two years respectively. In each year there was an increase in the number of posts, previously held by expatriate officers, being filled by local officers on promotion.

The Colonial Secretary, replying to questions raised by Hon. Members in the Budget sessions of 1955, said that all the posts referred to London in 1954-55 were professional or technical ones. Sometimes the obstacle was not lack of attainments but the higher salaries accruing to persons having these attainments as exercised in ordinary business or professional life. Able young men in Hongkong with professional qualifications often found it more profitable to take employment in Hongkong outside the Government service. But whereas in the past complete reliance had to be made on the United Kingdom for recruitment to such grades as Inspector of Works and Clerk of Works in the P.W.D., a training scheme introduced a few years ago is now beginning to bear fruit and local recruits are now being promoted to these grades. Actually the non-expatriate professional staff of the ever-active

P.W.D., which includes the various categories of engineers, architects and surveyors, has increased by no less than 180 per cent during the past five years, compared with an increase of only 30% in the expatriate staff. In the year 1953/4, out of a total pensionable establishment of 11,406, under 10% consisted of expatriate officers, and comparable figures for 1954/5 were a pensionable establishment of 12,035, of whom only 9.2% were expatriate officers. The percentage of non-expatriate Senior Education Officers, starting from zero in 1950, rose year by year until it reached 37.5% in 1955. "These Establishment questions are far from simple ones," remarks Mr. Jones. "We are making some progress in bringing Hongkong men and women into the Service and gradually into the senior posts, and where men and women have the requisite qualifications they are given the fullest consideration."

The proceedings of the Commission are confidential and its reports privileged. It is empowered to conduct examinations, to obtain information from Heads of Government Departments, and from the employer of any candidate for the Public Services, and to advertise vacancies. Its main functions are to advise on the filling of vacancies in the public services, and the regulation of promotion steps within a grade or class, efficiency bars and probation bars to ensure the fitness of an officer for any particular appointment before he is confirmed in it. Selection Boards, operating with meticulous care and impartiality, first draw up a short list of candidates and generally interview them individually and may subject them to written and oral examinations. The full reports of these Boards, together with the recommendations of the Establishment Officer, are submitted to the Commission, together with all the applications. In spite of all this, as a matter of principle the Commission insists on requiring all the information concerning the candidates recommended, as well as those who have been unsuccessful in the first instance; and where differences of opinion occur, as they often do, they are generally discussed in meeting with the Establishment Officer and a representative of the department concerned before the Commission tenders its final advice; and whenever it is considered desirable candidates are interviewed by the Commission itself.

In Singapore the public are only now beginning to realise the importance of the functions of the Public Services Commission. The new body (also Malay-anised) faces a considerable task in the appointment of eight new permanent secretaries to replace repatriates as virtual heads of departments, while far more expatriates are exercising their option to take their compensation and go than had been desired or expected. These include the three principal Police Commissioners, while the Public Works Department, under-staffed before Malay-anisation, is now losing another 23 per cent of its expatriates though the Government had hoped that all 29 permanent officers would stay on.

THREAT TO PEACE IN ASIA

THE KASHMIR DISPUTE BETWEEN INDIA AND PAKISTAN

India before August 1947 comprised of (i) British India and (ii) the Indian States. British India was governed directly by the British with the assistance of a hierarchy of officials with the Viceroy of India on top. The Indian States enjoyed varying degrees of internal autonomy which was regulated by a number of treaties and agreements that the British power had entered into with them. They, however, had no international status, inasmuch as their foreign relations, defence and communications were invariably managed by the suzerain power—that is to say, by the United Kingdom. The Viceroy of British India also acted as the representative of the British Crown in regard to its relations with the Indian States. The Indian States had no power to make peace or war or to negotiate or communicate with any foreign State. The Crown Representative also had the right of intervention in internal affairs for the benefit of the Ruler of the State, or of India as a whole, or for giving effect to international commitments. In short, the Indian States were veritable vassals of the British Government. Such was the political set up of the Indian States under the Paramountcy of the British Crown.

The State of Jammu and Kashmir is bounded by Chinese Sinkiang in the North, by a small strip of Afghanistan and the West Pakistan Province of Pakistan on its North-West, West and South-West, and by the Punjab Province of India in South-East.

For administrative purposes the State is divided into: (i) Jammu Province—Consisting of Jammu, Kathua, Mirpur, Poonch, Riasi and Udhampur districts. (ii) Kashmir Province—Consisting of Anantnag, Baramulla and Muzaffarabad districts. (iii) "Frontier Districts"—Consisting of Astore and Ladakh districts and Gilgit leased area and Gilgit Agency.

At the last census, held under British supervision in 1941, the population of Jammu and Kashmir was about 4 million, of which over 3 million were Muslims. Thus in 1941 Muslims had an absolute majority in the State as a whole, as well as in all the provinces of Jammu and Kashmir. According to the Census Report, the annual increase in population is a little over 1%. In race, culture, dress, food and customs, the Muslims of Jammu and Kashmir are closely akin to the Muslims of West Pakistan. Inter-marriages between the Muslim families of West Pakistan and those of Jammu and Kashmir have taken place over many centuries, and there are many ties of blood relationship between them. The two main roads connecting the State with the outside world, which remain open throughout the year, lead into Pakistan. The three main rivers of West Pakistan—the Indus, the Jhelum, and the Chenab—rise in, or flow through, Kashmir. The principal road of Kashmir—which links Srinagar in the Kashmir Valley with Rawalpindi and Abbottabad in Pakistan—runs for most of its length along the banks of the river Jhelum.

The economy of the State is predominantly agricultural. The main income is derived from its forests. Before October 1947, timber from these forests was floated down the rivers Jhelum and Chenab into Pakistan. The main marketing centres for Kashmir timber were located in the towns of Jhelum and Wazirabad in Pakistan. West Pakistan also provides employment to a large number of Kashmiri workers during the winter months. Fresh fruit was only second in importance to timber in Kashmir's export trade. Rawalpindi (Pakistan) was the principal market for it.

Kashmir's economic links with Pakistan were equally marked in its import trade. Most of the requirements of the State in salt, pulses, grain, leather, wool and oil-seeds, etc. were met by what is now West Pakistan. Practically all the State's requirements of petrol and petroleum products were supplied from the oil-fields of Attock in Punjab (Pakistan). Kashmir's trade with foreign countries, passed almost entirely through the port of Karachi, the capital of Pakistan.

The waters of its rivers are the life-blood of West Pakistan. Two of these, the Sutlej, (with its tributary Beas) and the Ravi, flow into Pakistan from India. The other three, namely, the Chenab, the Jhelum and the Indus, flow into Pakistan from Kashmir. The dependence of Pakistan upon the rivers flowing from Kashmir has been made clear by the threat of India to shut off the waters of the rivers Sutlej (with its tributary Beas) and Ravi which flow into Pakistan from India.

Jammu and Kashmir is one of the principal recruiting grounds of the Pakistan Army, as it was once of the British controlled army. About 100,000 men of the Pakistan Army are drawn from this area. Pakistan cannot be indifferent to the fate of an area which provides her with so many soldiers.

The partition of the sub-continent has placed on Pakistan the responsibility of guarding the North-West Frontier of the sub-continent. Pakistan can discharge its responsibilities for the defence of this vital frontier only if it is free from all threats to its flank along the hundreds of miles of its frontier with Kashmir. Moreover, the defence of the North-West Frontier is organised in depth making full use of the physical layout of the country, and the system of road and rail communication is integrated with the same object. Above all, the life-line of West Pakistan—the main road and rail communication between Lahore and Peshawar—passes for over 150 miles of its length within 30 miles of the borders of Jammu and Kashmir. An unfriendly power in control of the State of Jammu and Kashmir would be in a position to outflank the natural defences of West Pakistan, and constitute a serious threat to its security. Alien military control over Jammu and Kashmir would lead to an encirclement of West Pakistan. On the other hand, the integration of Kashmir with Pakistan could not threaten the security or the well-being of any of its neighbours.

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The State of Jammu and Kashmir came into existence in 1846 as a result of the Treaty of Amritsar by which the British sold this area to Raja Gulab Singh, a petty chieftain of the Hindu tribe of the Dogras of Jammu for approximately Rupees 7½ million. (Less than two million dollars or one million pound sterling). The Dogras proved to be dissolute and degenerate despots. Amidst the natural wealth and beauty of their homeland, the Muslim population of Kashmir lived in terror and squalor. The whole country was in the grip of a grinding officialdom. Most of the public offices, sinecures and commissions in the Army were held by the kinsmen and the co-religionists of the Ruler. The Hindu ruling class alone were permitted to carry firearms without licence. Cow-slaughter was a capital offence. A Hindu on conversion to Islam forfeited all inherited property.

When Partition was agreed upon, the British Government declared that British paramountcy in regard to Indian States would lapse on the day the sub-continent became independent. The States would then be free to accede either to India or Pakistan as they wished. The Governor-General, Lord Mountbatten, however, advised the rulers that in deciding the question of accession they must pay due regard to the communal composition of their populations, the wishes of their peoples and the geographic location of their States. He told them: "You cannot run away from the Dominion Government which is your neighbour, any more than you can run away from the subjects for whose welfare you are responsible." The Government of India and the Indian National Congress were in full agreement with the advice that Lord Mountbatten had given to Indian rulers on the subject of accession. Indian States acceded to India or Pakistan in accordance generally with that advice.

It was thus universally assumed that, following the basis of Partition, States with a Muslim majority population contiguous to Pakistan would accede to Pakistan. In the case of Kashmir accordingly, the position was clear. Here although the ruler was a Hindu, 77% of the population was Muslim. The State territory is contiguous to Pakistan. Political, economic, strategic and all other practical considerations made accession to Pakistan the natural course.

On the eve of partition, the people of Kashmir promptly declared their desire for accession to Pakistan. However, the Maharaja, who was extremely unpopular with the people, did not wish to deliver his future into their hands. As a first step, he approached Pakistan for the conclusion of a Standstill Agreement, continuing in force all the arrangements that had till then existed between the State and the British Government of India. The Standstill Agreement with Pakistan came into force on 15th August, 1947. Pakistan thus stepped into the shoes of the pre-partition Government of India and became responsible for the defence, foreign affairs and communications of the State.

It was generally assumed, both in Kashmir and in Pakistan, that the Standstill Agreement was but a preliminary to Kashmir's accession to Pakistan. The Maharaja, however, had other plans. The concerted endeavours of top-ranking Hindu leaders of India, like Acharya Kripalani, then President of the Indian National Congress, and the late Mr. Gandhi, who visited the Maharaja in quick succession, prepared the way for a conspiracy with the Government of India. The Standstill Agreement with Pakistan was designed to lull the suspicions of the Muslims. In pursuance of this scheme, the Maharaja invited into the State a large number of notorious Hindu militant gangs such as the RSS with a view to eliminate Muslim resistance against his plan. However, the Maharaja's scheme did not work out according to plan. His Muslim subjects, particularly those from the district of Poonch, many of whom were veterans of World War II, decided to sell their lives dearly, evacuated their families to Pakistan and came back to fight with weapons collected from their friends and relatives. The Maharaja employed brutal means to suppress this revolt, and with the help of the R.S.S.S. and other militant gangs set out on a course of action whereby in the words of the special correspondent of the "London Times"—"237,000 Muslims were systematically exterminated unless they escaped to Pakistan along the border by all the forces of the Dogra State headed by the Maharaja in person." The process of extermination of Muslims increased in intensity from day to day. Half a million Muslim refugees left Kashmir and trekked into Pakistan, with unbelievable tales of horror to tell.

The people of Pakistan were deeply stirred by these developments, and there was a universal desire to go to

the succour of the oppressed Muslims of Jammu and Kashmir, many of whom had close ties of blood and kinship with the residents of the North West Frontier and Punjab Provinces of Pakistan. Consequently, a number of tribesmen and residents of West Pakistan, including Muslim refugees from India, crossed the borders of the State in order to help their brethren in distress.

The liberation movement gained momentum and spread to other areas. Despite the savagery and brutality of the Maharaja's forces, the rebellion gained in strength. The Maharaja's forces were scattered, and the Maharaja was compelled to flee from his capital and seek shelter in the town of Jammu. The insurgents set up a provisional Government of Azad (Free) Kashmir with Sardar Mohammad Ibrahim Khan as its President, and the Muslim section of the Maharaja's army deserted to the Azad Kashmir Government.

The Maharaja was now forced to show his hand. A fugitive from his capital, he arrived in Jammu and at the behest of Mr. Menon, Secretary to the Government of India, who had been despatched to Jammu for this specific purpose, wrote to the Governor General of India on 26th October 1947 offering accession of his State to India, and asking for the assistance of the Indian Army to crush the popular rising. This letter was carried back to Delhi the same evening by Mr. Menon. The Maharaja also informed the Government of India in the same letter that he had decided to ask Sheikh Muhammad Abdullah to "carry the burden of responsibility" of office along with his Prime Minister.

The Government of India, in utter disregard of the basis on which they had claimed Junagadh (another Indian State) in spite of its accession to Pakistan and were laying claim to Hyderabad (yet a third Indian State), namely, the wishes of the people, and economic, geographic, strategic and allied considerations, agreed, conditionally to accept this collusive offer of accession. The letter conveying the conditional acceptance of the Governor General of India, Lord Louis Mountbatten, dated the 27th October 1947, stated that as soon as law and order had been restored "the question of the State's accession should be settled by reference to the people", and noted with satisfaction the fact that Sheikh Muhammad Abdullah had been asked to accept office. Indian troops landed in Srinagar only a few hours after the acceptance of this so-called accession on 27th October 1947, proving thereby that such a move had been planned well in advance of the Maharaja's request for help on which India's military intervention was ostensibly based.

India has shifted its stand in the matter of accession of States to suit its own ends. Its claim to Kashmir was based on this fraudulent document of accession. Shortly before that, however, India laid claim to Junagadh on completely different grounds. The Nawab of Junagadh acceded to Pakistan, although the State had a majority of Hindu population. The Government of India protested in the strongest terms. Their view was that on the lapse of British Paramountcy, sovereign rights in an Indian State reverted to its people. A Muslim ruler could not speak for his non-Muslim population. In their telegram dated 22nd September, 1947, the Government of India considered the acceptance of Junagadh's accession by Pakistan as an encroachment on Indian sovereignty and territory. They characterised it as "a clear attempt to cause disruption in integrity of India by expanding the influence and boundaries of the Dominion of Pakistan in utter violation of principles on which Partition was agreed upon and effected". Subsequently, the Indian Army invaded Junagadh and the State was occupied by India by force.

In the matter of Hyderabad, the conduct of the Government of India was also inspired by similar considerations. The Nizam did not wish to accede either to India or Pakistan. He wanted instead to enter into special treaty relations with the Government of India in order to preserve a measure of independence for his State. That a Muslim ruler of a Hindu-majority State should refuse to accede to India, even though he was prepared to let his people decide this question by means of a plebiscite, was intolerable in the eyes of the Indian Government. In September 1948, Indian Army marched into Hyderabad and forcibly annexed the Nizam's territory.

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Pakistan did not accept, and has never accepted, the validity of the accession of the State of Jammu and Kashmir to the Indian Dominion. Pakistan holds that the accession was fraudulent inasmuch as it was stage-managed and was achieved by deliberately creating a set of circumstances to lead up to accession and military occupation. It was based on violence because it was against the declared wishes of an overwhelming majority of the population of the State and furthered the plan of the Maharaja's Government to liquidate the Muslim population of the State. The Government of Pakistan also holds that the existence of Standstill Agreement between Pakistan and the State which has never been denounced, was a legal bar to the subsequent accession of the State to India. At best, the acceptance of accession by India was provisional. No provisional acceptance is recognised by the Indian Independence Act of 1947. Moreover, on 28th October 1947 the ruler of the State had no authority left to make any decision in regard to the disposition of the State by means of an instrument of accession or otherwise. His people had disowned him, and the Azad (Free) Kashmir Government was by then exercising control over major part of the territory of the State.

Many attempts were made by the Pakistan Government to settle the dispute with India by means of direct negotiations but all these attempts failed because India was not willing to agree to reasonable terms for the reference of the question of accession to the people of Kashmir.

All aspects of the Kashmir case were examined during the prolonged debate in the Security Council from 15th January to 6th February 1948. The majority of the members of the Security Council were convinced that the only lasting solution of the Kashmir problem lay in holding a plebiscite under U.N. auspices. While the Security Council was debating the Kashmir case, India, in spite of the Council's appeal to both parties to do nothing to aggravate the situation, was building up its forces in the State for an all-out offensive in Kashmir. This new offensive was launched early in April 1948. This led to a very large exodus of Kashmiri Muslim refugees to Pakistan and threatened the very security of Pakistan itself. The Indian forces advanced menacingly towards the borders of Pakistan and threatened the headworks of the Jhelum canals at Mangli which is located inside the State of Kashmir.

What was Pakistan at that time faced with? So far as its own security was concerned, it was faced with a deadly danger. Once the whole State was militarily occupied, Pakistan's flank would be completely broken. It was also faced with the prospect that the irrigation system based on the River Jhelum might be ruined. To meet this threat a limited number of Pakistan troops were sent to Kashmir early in May, 1948, to hold certain defensive positions and to prevent the Indian Army from advancing to the borders of Pakistan.

Meanwhile the Security Council had established a mediatory commission to study the situation and try to secure the agreement of India and Pakistan to a solution of the

problem based on the principle of a plebiscite. As a result of negotiations lasting from July to December 1948, the U.N. Commission for India and Pakistan adopted its resolutions of 13th August 1948 and 5th January 1949. These resolutions were accepted by India and Pakistan and endorsed by the Security Council, and constitute an international agreement for the settlement of Kashmir dispute.

Taken together, the resolution provides for:—(i) the issue of cease-fire orders and the demarcation of a cease-fire line; (ii) the demilitarisation of the State of Jammu and Kashmir; and (iii) a free and impartial plebiscite conducted by the United Nations to determine the question of the accession of the State of Jammu and Kashmir to India or to Pakistan.

Soon after they had signified their acceptance of the Commission's proposals, the Government of India and Pakistan agreed to the issue of cease-fire orders to be effective from 1st January 1949. After protracted discussions, an agreement on demarcation of a cease-fire line was reached on 27th July 1949 and U.N. Military observers were posted

on both sides of the cease-fire line to watch the implementation of the cease-fire agreement.

On 1st January 1949, when the cease-fire came into effect, the armed forces engaged in the State of Jammu and Kashmir were as follows:—On the Pakistan side there were—(i) the tribesmen and Pakistan nationals not normally resident therein who had entered the State for the purpose of fighting; (ii) regular troops of the Pakistan Army; and (iii) the Azad Kashmir forces. On the Indian side of the cease-fire line, the forces engaged consisted of—(i) regular Indian troops; and (ii) State armed forces, which included the State Army and the State Militia; (iii) Indian militant gangs.

The U.N.C.I.P. resolutions of 13th August 1948 and 5th January 1949, envisage demilitarisation in two stages. The first stage provides for the withdrawal of the tribesmen, Pakistan volunteers, the Pakistan troops and the bulk of the Indian forces. The second stage covers the final disposal of all the remaining forces, namely; the Azad Kashmir Forces, on the one hand, and the balance of the Indian forces and the State armed forces, on the other.

The UNCIP laboured from 7th February to 26th September 1949 to secure the agreement of India and Pakistan to truce terms based on the principles outlined, but to no effect. After having exhausted all its efforts at mediation, the U.N. Commission, as a last resort, proposed that all the points of difference should be submitted for arbitration. The Government of Pakistan accepted; the Government of India rejected it. The U.N. Commission thereupon came to the conclusion that "the possibility of mediation open to it has been exhausted", and recommended to the Security Council that it should be replaced by a single U.N. Representative, who might be in a better position to conduct the negotiations with India and Pakistan. The Commission also recommended that further consideration should be given to its proposal that all points of difference relating to the truce agreement should be settled by arbitration. The Security Council decided to appoint a U.N. Representative to replace the UNCIP and to assist India and Pakistan in the preparation and execution of the programme of demilitarisation. Sir Owen Dixon of Australia was appointed as the U.N. Representative on 12th April 1950.

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During the period intervening between the submission of Sir Owen Dixon's report and the Commonwealth Prime Ministers Conference, India chose to add yet one more complication to the Kashmir dispute. On the 28th October 1950, Sheikh Muhammad Abdullah's political party passed a resolution demanding the convening of a Constituent Assembly in the State to decide the question of accession and to frame a constitution for the State. This resolution was publicly endorsed by the Prime Minister of India, showing scant regard for his government's international commitment that the question of accession would be decided by a free and impartial plebiscite. Pakistan protested strongly against this move. The Security Council however adopted a resolution on 30th March 1951, which affirmed that the convening of a Constituent Assembly in Kashmir, and any action which such an assembly might attempt to take to determine the future shape and affiliations of the entire State, or any part thereof, would not constitute a disposition of the State in accordance with the previously accepted principle of a free and impartial plebiscite. The resolution provided for the appointment of a United Nations Representative to effect the demilitarisation of the State on the basis of the U.N. Commission for India and Pakistan resolution of 13th August 1948 and 5th January 1949, and called upon the Governments of India and Pakistan, in the event of their discussions with the U.N. Representative failing

in his opinion to result in full agreement, to accept arbitration on all outstanding points of differences as formulated by him—such arbitration to be carried out by an arbitrator, or a panel of arbitrators to be appointed by the President of the International Court of Justice after consultation with the parties. In the debate that followed the Indian Representative assured the Security Council that the "Constituent Assembly" of Kashmir was not meant "to come in the way" of the Security Council and that while "the Assembly" might "express an opinion" on the question of accession, "it can take no decision on it."

Dr. Frank P. Graham was appointed as United Nations Representative on 30th April 1951 to implement this Resolution. Ultimately Dr. Graham had to accept that he had failed. Eager to explore all avenues for a peaceful settlement of their various disputes with India, the Government of Pakistan once again started direct negotiations with the Government of India in regard to the Kashmir dispute. The first formal meeting of this series took place in Karachi towards the end of July 1953. While this meeting was being held in Karachi events of grave and tragic import were about to envelop the state of Jammu and Kashmir.

From the very beginning of the Kashmir dispute it has been India's attempt to hold on to the State by force, eschewing a plebiscite at all costs. As part of this policy the Government of India has constantly tried to secure a firmer grip over the State. Such attempts have been equally forcefully resisted by the Muslim leadership of the State. In April 1952, Sheikh Muhammad Abdullah the "Prime Minister" of India-Occupied Kashmir, who had been acclaimed as the real leader of the people of Jammu and Kashmir and whose loyalty to India had hitherto been held up by India before the world as proof that the Maharaja's instrument of accession had popular backing, delivered a speech at Ranbirsinghpura. In it he said that Kashmir's accession to India would have to be of a restricted nature so long as "communalism has a foothold on Indian soil". He described arguments in favour of application of the Indian Constitution to Kashmir as "unrealistic, childish and savouring of lunacy". Referring to the outcry in the Indian Press in favour of the complete integration of the State with India, Sheikh Muhammad Abdullah observed: "They do not tell us what will happen to Kashmir if there is a resurgence of communalism in India, and how in that circumstance we are to convince the Muslims of Kashmir that India does not intend to swallow up Kashmir".

Sheikh Muhammad Abdullah was summarily dismissed from office by the ruler of the State, Yuvraj Karan Singh, on 9th August 1953 and clapped in jail immediately thereafter. Widespread popular uprisings in support of Sheikh Muhammad Abdullah were crushed by force. The number of killed in these uprisings was 1,500. Bakhshi Ghulam Muhammad, erstwhile Deputy of the deposed "Premier" was installed into office as the Prime Minister with the help of the Indian Army of Occupation. This caused widespread anger and concern in Pakistan. Realising the danger inherent in the situation, the Prime Minister of Pakistan requested the Prime Minister of India for an immediate meeting to resolve the Kashmir problem, and the holding of a plebiscite was agreed on.

While negotiations were going on to pave the way for a plebiscite, wild rumours began to circulate in the Indian Press with regard to an impending military pact between Pakistan and USA and the establishment of American bases in Pakistan. The Prime Minister of India seized upon these rumours to write to the Prime Minister of Pakistan, on December 9, 1953 that such a pact between Pakistan and the USA would be undesirable from the point of view of peace in Asia—it might even lead to the extension of the

sphere of war—and it was highly likely to limit progressively the independence of the country receiving aid. He warned that such an expansion of Pakistan's resources with the help of the USA could only be looked upon "as an unfriendly act in India". He further expressed the view that such a pact would inevitably affect the Kashmir issue and specially the question of demilitarisation.

It was in this atmosphere of distrust that an Experts Committee met in Delhi from 21st December to 29th December 1953. Nevertheless, the Committee were able to cover considerable ground and also made some progress in the resolution of the main problem of demilitarisation of Kashmir, that had held up all progress so far. In spite of India's intransigent attitude, the Prime Minister of Pakistan, determined to explore all possible avenues of a peaceful settlement of the Kashmir dispute, persisted in his efforts to convince the Prime Minister of India that the latter's fears and demands were unjustified. It was pointed out to the Government of India that the receipt of American military aid could not possibly make any difference whatsoever to Pakistan's resolve to solve her disputes with India by peaceful means. The aid had been sought in order to enable Pakistan to devote her domestic resources, now spent largely on defence, increasingly to the development of her economy. The Prime Minister of Pakistan also drew the Indian Prime Minister's attention to the assurance publicly given by Pakistan and by the President of the United States that this aid shall not be used for aggressive purposes. The Prime Minister of Pakistan reminded the Indian Prime Minister that, above all, they had a duty towards the people of the Jammu and Kashmir State. The people of that State had waited patiently for over five years for the fulfilment of the pledge that they could decide their own future by means of a free and impartial plebiscite. It would be a cruel irony if, because of groundless Indo-Pakistan suspicions, that fulfilment was further delayed.

As Pandit Nehru still persisted in his unreasonable attitude, the Prime Minister of Pakistan had to conclude that no further scope was left for direct negotiations between him and the Indian Prime Minister, and the case, therefore, must revert to the Security Council.

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Feelings in Pakistan were running high. There was a universal demand from all quarters of the country for the calling off of direct negotiations with India. An influential section in the country threatened to start a peaceful Satyagraha movement in Kashmir to win for the Kashmiris their right of self-determination. Others wanted to give the Security Council a last chance before taking any other action. With a view to meet this demand and to avert the potential threat to peace that the projected mass Satyagraha carried with it as well as to associate leaders of public opinion with the Kashmir policy of the Government, the Prime Minister called an all Parties Conference in Karachi on November 26, 1955 to consider the Kashmir dispute. It concluded its deliberations on November 28 and passed a unanimous resolution which strongly condemned "the intransigent attitude adopted by India during the last seven years with a view to depriving the people of the State of the right of self-determination acknowledged by the Security Council resolutions", and after expressing its "profound disappointment at the failure of the Security Council to enforce its decisions", decided to lend "its unstinted support to the Kashmir liberation movement", reaffirmed "the irrevocable determination of the people of Pakistan to secure for the people of Jammu and Kashmir the right of self-determination at all costs", and called upon the Government of Pakistan "urgently to take, in the light of the dis-

cussions that have taken place in this Conference, all possible steps that are necessary to give effect to the national determination".

In the meantime the Prime Minister of Soviet Russia, Marshal Bulganin and the First Secretary of the Communist Party of the USSR Nikita Khrushchev paid a visit to India and made certain statements in Srinagar and in Delhi in the second week of December 1955 with regard to the Kashmir problem. Marshal Bulganin called Kashmir "the northern part of India" and its inhabitants "part of the Indian people". Khrushchev maintained that the question of Kashmir as one of the States of the Republic of India "has been decided by the people of Kashmir themselves." The Prime Minister of India subsequently closed the door to further negotiations when in a major policy speech in the Indian Parliament on March 29, 1956 he dwelt at length on the Kashmir dispute. He revived the charge of aggression against Pakistan, claimed that the accession of the State to India was legal and constitutional on the basis of the Maharaja's document of accession, and ridiculed the talk of a plebiscite in the State by saying that it was "completely beside the point". He followed it up with a press conference the very next day in which he said that the question of a plebiscite could not arise even if the Pakistan Army was to withdraw completely from the State. Soon thereafter in a public meeting held at Allahabad on April 4, Pandit Nehru reiterated that Kashmir had acceded to India and it was, therefore, legally and constitutionally a part of India. In another statement on April 5, in Allahabad, he ruled out the possibility of direct negotiations with Pakistan's Prime Minister on the Kashmir issue.

Meanwhile since the arrest of Sheikh Muhammad Abdullah on August 9, 1953, and assumption of office by Bakshi Ghulam Muhammad a reign of terror has prevailed in occupied Kashmir. Whoever tries openly to ask for a plebiscite to decide the question of accession, is accused of 'treason' and imprisoned. A large number of prominent Kashmir leaders have been arrested on this ground. Despite this ruthless repression and suppression of civil liberties the popular demand for a free and impartial plebiscite has continued to grow. In June 1955 an organisation came into existence known as the Plebiscite Front. Its demand is that a free and impartial plebiscite should be held in the State. In less than a year, the organisation has acquired great popularity and gathered widespread support.

The Kashmir Political Conference and the Kashmir Democratic Union together with the Kisan Mazdoor Conference have also been working ceaselessly on the same lines as the Plebiscite Front. Besides these organisations in the State, the End Kashmir Dispute Committee with its headquarters in Delhi is agitating for an early plebiscite in the State.

To meet this challenge to his authority Bakshi Ghulam Muhammad at the behest of his Indian masters has resorted to cajolery, bribery, blandishments and severe repressive measures. He has drafted large numbers of the Central Reserve Police from India into his service and has raised a body euphemistically called the Peace Brigade but which in reality consists of hired hooligans stationed in every town and village of India-Occupied part of the State. Their job is to harass and oppress those who challenge the finality of the so-called accession of the State to India and demand an early plebiscite in the State. The methods used for such repression are arrests, detentions and even torture of political workers, ban on their processions and meetings, house searches, denial of Government employment and government contracts and business facilities to them, censorship of their mail, imposition of various restrictions on their

movements and in extreme cases even externment from the State. The nett result is that civil liberties are extinct in the State and corruption and nepotism are rampant. In spite of this repression the urge for freedom is growing.

The Kashmir dispute is not at all a boundary dispute between the Governments of India and Pakistan. The status of the geographical entity known as the State of Jammu and Kashmir has not so far been determined. The question of fixing an arbitrary international boundary within the area of the State does not arise. The dispute is much more fundamental in its implications. By bringing into question the very basis of the partition of the sub-continent of India it raises grave doubts about the real feelings of the Government of India with regard to the very

existence of Pakistan. It is also an international problem of grave magnitude in as much as it is a standing threat to peace in Asia. It is a challenge as a member nation of the United Nations namely India has persistently flouted all its recommendations and directives. It is a grave menace to international dealings, as a sovereign power (India) has been continuously refusing to honour her international obligation that was freely accepted by it without any duress. The dispute brings into bold relief the murder of the birth right of a people to self-determination, and their enforced satellization with the help of a foreign army of occupation with a view to their eventual extinction as an entity, and is therefore a standing challenge to the progressive and humanistic urges of mankind. Above all it is a human problem as it affects the destiny of about four million Kashmiris.

CHANGES IN COMMUNIST IMPERIALISM

In the last few months the world has been subjected to an avalanche of staggering events the outcome of which is not yet in sight. What had initially borne the earmarks of an accelerated but orderly retreat from rigid Stalinism soon degenerated into a nightmarish bloodbath. After making concessions to "national communism" in Poland, Moscow is now subjecting its government to various forms of pressure, all designed to forestall extensive administrative and economic reforms. Soon after the official promise to withdraw its troops from the satellites, the Soviet dictatorship brands the thousands of men, women, and children fighting and dying in Hungary as "fascists," "landlords," and "counterrevolutionaries," brazenly defending its bloody intervention as the "correct position of proletarian internationalism."

With the brutal suppression of the Hungarian revolution and strong-arm tactics in Poland spell the end of the "thaw" that has been spreading through the length and breadth of the Soviet empire? Or will there be a return to a process of controlled relaxation once the Soviet Union is convinced that it is not threatened with immediate annihilation and that naked force is no substitute for rational economic and political policies? These are some of the outstanding questions that are anxiously raised at this time. But before some tentative answers are advanced, a brief sketch of the forces that underlie the current crisis would seem to be in order.

Until the eruption of violence at the end of last October, the Stalinist system at home and abroad showed every sign of a gradual and inexorable disintegration. Seen in retrospect, this disintegration was due to a number of causes, all of them important, though asserting themselves at different times, and with differing effects. The first lay in the fact that the social and economic factors that did much to determine Stalinist policies have been playing an ever-diminishing role. Chief among these factors was the overall backwardness of Russian society, and its atomization following the upheavals of 1914-1918. This is not to say, as some commentators do, that these factors made totalitarianism inevitable, but to the extent that they did exist, they surely helped to shape the specific form of Stalinist totalitarianism. To industrialize the country in the direction and with the speed desired by the dictatorship, forced

collectivization had to be employed. Wholesale collectivization, in turn, was intimately connected with coercion, bloodshed, ruthlessness, a centralized economy—all hallmarks of the Stalinist system. Once Russia emerged as a powerful and in many respects modern industrial state, some of its original social and economic compulsions were bound to become less and less operative.

As Soviet society has changed, so has the Soviet dictatorship. And what was useful and rational—from the Kremlin's point of view—became less useful, less rational—indeed, at times, even dangerous. The Stalin reign was marked by a number of features, which in the hands of an arbitrary dictator eventually became liabilities rather than assets. The Stalin cult, which at first played a rational role in legitimizing the rule of the Leader, was gradually getting out of hand. Suspicion and terror, which at first helped to consolidate the Stalinist power apparatus, finally threatened to become a socially disruptive and uncontrollable force. Massive coercion, which facilitated the process of collectivization and the creation of Soviet military might, became, as time went on, an impediment to the growth of the Soviet economy. To eradicate these irrational elements, which comprised what may be called the "senescence of Stalinism," became in many respects an imperative from which the new Soviet leadership could only shrink at its own peril.

The reasons for the post-Stalin changes would thus seem to be a mixture of objective and subjective factors, of irresistible forces as well as conscious engineering, of expedient adaptation to reality as well as deliberate attempts to steer it along new channels. They cannot be explained entirely either as tactical shifts or as policies deliberately staged by this or that faction within the Soviet hierarchy in their internecine struggle for power. Both elements undoubtedly play their roles in the present situation, but though the stress on incentives to peasants, in lieu of continuous repression, may be regarded as a change in tactics, the same surely cannot apply to the dismantling of concentration camps in the USSR. And while Malenkov may well have represented the interests of certain groups in Soviet society, and his downfall the rise of a different group, the fact remains that it was his successor, Khrushchev, at first considered an arch-Stalinist, who gave the anti-Stalin

campaign its greatest impetus. Khrushchev's reversal (or, say, that of Ochab in Poland) may be pure opportunism, but it has important roots that go beyond the machinations of the individuals in question.

The disintegration of Stalinism, described above, has until now been controlled—and even, as pointed out, desired and initiated—by the Soviet leadership. Internally, this situation still holds true. There has been a significant degree of continuity of post-Stalin measures in the USSR in almost all areas of public life. Even the Khrushchev assault on Stalin may be regarded essentially as an intensification of a process that took three years to mature. Stalinism, after all, had become not only a symbol, not only a “cult,” but a method of government, a mode of behavior, a system of thought and action that had penetrated into every institutional facet of Soviet society. “The cult of the individual fettered the search of the inquiring mind and set limits on scientific research,” says *Partiinaiia Zhizn*, No. 9, of May 1956. “The cult of the individual did grave harm to the country's defensive capacity,” declares *Krasnaia Zvezda* of July 19. “As a result of the cult of the individual negative phenomena have become rooted in the work of party and Soviet bodies and in the methods of leadership,” according to *Kommunist*, No. 10, August 1956. There is no reason to doubt the underlying truth of these statements—or understatement. . . . And there is good reason to believe that the Soviet leaders had come to the conclusion that many of these problems must be tackled—and tackled head-on, through the customary method of “*shturmovschina*,” or all-out assault.

* * *

It is externally, however, that the breakdown of Stalinism has become so conspicuous these past few months—and so dramatic. The use of force in Hungary can only be understood against the background of the manifest failure of Stalinist policy in Eastern Europe, and in relation to the numerous concessions that the Soviets have been compelled to make to their erstwhile underlings. Furthermore, Moscow's decision to drown the Hungarian revolution in blood, taken after a period of hesitation and attempted conciliation, must not obscure the fact that in the long run Stalinism would prove viable only at an enormous price, one that the Soviet leaders may well not be willing to pay.

The Soviet concessions to Poland, and the declaration to October 30 promising to discuss with the governments of the “peoples republics” the question of the withdrawal of Soviet advisers and troops, underlined Moscow's readiness to come to terms with the liberalization movement sweeping through Eastern Europe—provided it did not go too far. Clearly, the Hungarian revolution, responsive to its own elemental forces and not to the limits prescribed in Moscow, did go “too far,” and consequently Soviet Russia resorted to wholesale terror in order to suppress it and prevent its entire East European empire from falling apart. But does this mean a full-scale return to Stalinist methods vis-a-vis the satellites, and the complete end of controlled liberalization? As grim and tragic as the situation may look at this moment, it would seem as if the answer to this question should be in the negative. For one thing, Stalinism has never meant brute force alone, but force enveloped in a myth of “popular support,” the “elimination of elements hostile to the masses,” etc. Soviet seizure of Hungary—or for that matter any other satellite—did not occur overnight, but progressed piecemeal, through the use of what Rakosi had dubbed “*salami tactics*,” i.e., the gradual liquida-

tion of all existing or potential enemy forces, under all sorts of hypocritical pretexts, and to the tune of innumerable promises and ideological rationalizations. The promises have now been exploded, the pretexts shown up for what they were, the ideological rationalizations pulverized by the simple fact that force, and only brute force, was used to gain what threats, cajolery and lies could not achieve. The Soviets realize that a return to a Stalinist position could be accomplished only through the use of the essence, but not the trappings of Stalinist politics; and it was on the trappings that their appeal had depended so much in the past. Now it is obvious, however, that never again will the captive peoples in Eastern Europe accept Soviet promises and prevarications. And it is doubtful whether the Soviet leaders would consider it either desirable or practical to keep down by brute force alone what will undoubtedly develop into a continuous movement of passive resistance.

In addition, whatever the innate Soviet contempt for either the views of Communist parties abroad, or for world opinion at large, the fact remains that they can ill afford to disregard them altogether. In particular, they cannot, in the long run, afford to antagonize the very powers in Asia whom they so blatantly have been trying to woo. Their present action in Hungary may have been obscured—at least as far as some parts of the world are concerned—by Anglo-French action in the Middle East. But a continuous reign of terror cannot be hidden—or rationalized—forever. Already the Communist world has been rocked by mass defections (e.g., in Italy), angry protests from leaders (in Austria), and genuine soul-searching among intellectual elements (in France). And while Asian opinion, by and large, has thus far been insufficiently outraged by the Soviet massacre in Hungary, it is safe to assume that repercussions in that part of the world will sooner or later make themselves felt as well.

All things considered, therefore, it is possible to assume that Moscow will eventually have to come to terms with reality—and make the best of it. For the outstanding feature of the present situation is that it represents a natural result of the erosion of an empire that began with the death of the man who had held it together—and that cannot easily be brought to a halt. The same forces that have generated the disintegration of the Stalinist system at home are also at work in the Stalinist empire in toto. And as in the case of internal destalinization, the Soviet leaders—whoever they will be—will probably have to reconcile themselves to existing trends—in this case, the growing independence of their former vassals. The process of reconciliation has, for the time being, suffered a setback, and it is more than likely that in the immediate future there will be a resurgence of the type of approach and mentality that the world had grown accustomed to under the reign of the omnipotent Stalin. The duration and precise nature of this approach will depend to a significant extent on the kind of reception it receives from the powers that have thus far successfully resisted Communist expansion in Europe and Asia. Should the Soviet leaders see that the flare-up of militancy is—as in the case of Stalinist aggression—leading them into a blind alley, the earlier pressures for gradual relaxation will be bound to reassert themselves with even greater vigor than hitherto. It will be at that time that we may see the further disintegration of the Stalinist Monolith and the emergence of a new genre of communism—in the ultimate sense no less abhorrent to the goals and ideals of a democratic society, but certainly different from the type the world has known until now.

THE SOCIAL CHALLENGE OF LAND REFORM IN EAST ASIA

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I

Land reform is one of the methods now being employed in Free East Asia to stabilize the rural social order and to counteract the Communist challenge, in the struggle to secure the loyalty of the population, which is predominantly a rural one.

The necessity for land reform is derived from the hypotheses that, everywhere in East Asia, (1) the land is densely populated; (2) available arable land is strictly limited, and because of the dense population, in very short supply; (3) generally ownership of this limited supply of land is badly distributed; and (4) the average peasant will listen to Communist appeals to expropriate large estates (often held in tenancy by absentee landowners) in return for the peasants' loyalty or active participation in the Communist revolution—unless something concrete can be done, immediately and locally, to solve this land problem.⁽¹⁾

Land reform programs of varied magnitude have been carried out in Japan, Taiwan, the Philippines, India, and Korea, and one is now in preparation in Vietnam. Land reform may take many forms, depending on specific issues in each case and on the extent to which each government is willing to change class relationships.⁽²⁾ Usually, land reform includes one or more of the following procedures;

- (1) enforced rent reduction for land held in tenancy,
- (2) specific written contracts between landowner and tenant,
- (3) cash loans and credit facilities made available to the peasant on good financial terms in order to curb usury and facilitate capital expansion,
- (4) the latest technical and scientific information provided gratis through government channels or sponsorship to farm units; and last, but most important,
- (5) the forced purchase by government of most, if not all, of the property held in tenancy by the large (usually absentee) landowners (paid for in cash or government bonds) and the redistribution of the land, as such or by formal sale, to the resident tenants or other landless peasants.⁽³⁾

It is not the purpose to discuss here the relative merits of land reform programs or the problems of establishing and maintaining them. Let us assume, as a hypothesis, that it is possible with good will and sincere intentions on the part of any government anywhere in Free East Asia to carry out and maintain any or all five of the procedures listed above, as components in a constructive land reform program.

Nevertheless, there is still a sociological dimension, as a variable in the technical—economic aspect of land reform just outlined, which must be accounted for, before Free East Asia can maintain that it really has solved its land problem and successfully answered the challenge of the Communist "solution" (which is to abolish property-holding as such, and reduce the rural population by forcing large numbers of peasants to leave the countryside and take up work and residence in the urban centres). Such a solution is not acceptable to the countries of Free East Asia.⁽⁴⁾

What is this sociological dimension? It is the principle of descent as it functions to distribute land and status between generations in rural East Asia.

II

Descent is the means by which property and status (especially what is termed strategic property) are transferred from one generation to the next—i.e. inherited. In East Asia, as far as the overwhelming mass of the population is concerned, strategic property implies land, and social status is determined by one's relationship to the ownership of land. Throughout East Asia, excluding Japan, landed property is inherited through division among all worthy heirs (termed homoyogeniture). This division may be equal as in the case of China, or unequal as in the case of India, but in no instance does any one heir inherit anything like the whole of the landed property (and accompanying status) of the deceased. "Equal" may include an extra token share of land provided to one son, usually the eldest, to serve as a source of extra revenue to carry on certain familial duties; that is, this bonus may not be used for personal social or economic development. (See, Hsu, F.L.K. *Under the Ancestor's Shadow*, New York, 1948).

As the greater part of land, by far, is acquired through inheritance and not through purchase,⁽⁵⁾ we may conclude that even in the course of one generation (save for the unusual case of a family dying without issue or leaving only a single heir) whatever property may be accumulated and held for a lifetime in the ownership of one man will be divided at his death into at least two sections, and usually more. Though each heir is by this system provided with social status (that is, with land ownership or the right to tenancy in land), the accompanying economic source of that status may conceivably have been diminished to the point where it no longer has any practical economic significance.

At present, East Asia, due principally to a declining death rate, is going through a period of rapid population increase. This fact has further intensified the traditional scramble for land, the supply of which is altogether strictly limited, though some expansion is still possible through the use of advanced soil technology and management economics.⁽⁶⁾

In Japan (just as in western Europe) in contrast, the system of descent has been that of the transfer of strategic property to only one heir (termed monoyogeniture) usually to the eldest son (termed primogeniture). For this reason, even though landed property is acquired in Japan through inheritance, just as in continental East Asia and the surrounding islands, there is reasonable assurance that accumulations of landed property will be transferred intact to the next generation.

This principle holds even if all the progeny decide to work the farm unit together, for then the eldest son is the sole owner and the other heirs, in effect if not in name, are only tenants. Through this system all members of any succeeding generation except one are left without strategic property and hence without status in land; so this social

system in the course of time broke the otherwise inevitable link between property in land and social status; instead of land, it introduced novel but equally legitimate sources for the attainment of social status by the large mass of people (and not only for a chosen few). For our purposes it is only necessary to note here that these sources can be and are in things other than land; and give social status equal or even superior to that derived from the ownership of land.⁽⁷⁾

In Japan, in contrast to the other countries in East Asia, a landholding which is economically sufficient to support a single family unit in one generation can be transferred intact to the next generation, and hence will remain reasonably sufficient economically in that second generation. If the land is not economically sufficient to support a family unit it is possible, for one thing, to add to it until it is, and to transfer the fruits of that change to the next generation. If the landholding in question is not economically sufficient to support a family unit, it is possible, alternatively, to move from that land into other occupations in order to obtain equally legitimate social and economic status; for people other than the single inheritor of land, this removal may be mandatory.

III

The program of land reform then cannot be interpreted solely in technical economic terms. The sociological factor of descent, as it relates to the ownership of land, is of equal if not more importance to that interpretation. The goal of the land reform program in Japan can be maintained indefinitely because the specific descent system there (that is, primogeniture or the divorce of property and status) functions positively to implement the intention of the land redistribution program. By redistributing the available land held by the large landowners resident or absentee, it is possible to provide all who are interested in and entitled to land with a reasonable share of what is available.

In doing this the land reformers establish a rural population of independent peasant owners operating economically significant units of land. Moreover, since only one heir can inherit any specific property unit, there is reasonable assurance that these economically significant units will remain in future generations as similar single units; provided, of course, that the land reformers enforce the stipulations for financial aid in times of rural economic difficulty and for the compulsory resale of the land if the owner will no longer farm it himself.

Now, as before the reform, at the time of the transfer of the property through inheritance, all save the single inheritor and his dependents must move off the land, or stay on it with the consent of the inheritor. As social status may legitimately be attained in other ways than by having land, this does not create a perpetual social crisis.

In East Asia other than Japan, in contrast, land reform is a race against time. There, though the process starts from the same point, with the same facilities and the same high motives, in a few generations (even in one generation) the recipients of the reform, regardless of the efficiency of the enforcement of the program and the availability of supporting economic aid, will be confronted with the fact that the plots of land they own are too small to provide the minimum economic return needed to support the occupants. Rural economic experts attached to land reform programs have even challenged the advisability of perpetuating small scale operations in land management resulting from current land reform programs. What will be their reaction after two or three generations of further division of the present small holdings?⁽⁸⁾

Under the system of homoyogeniture there is "always room for one more", whatever the size of the existing land holding to be distributed in the succeeding generation. Consequently, regardless of the purely economic issues involved, the attachment of the peasant to the land can go on perpetually; simply because every legitimate heir is theoretically assured of a piece of land (and hence of social status) even if the size of that piece of land will eventually be fragmented into insignificance through inheritance. The complicated devices through which it is attempted, in East Asia, to postpone the date of judgment—e.g. the separation of ownership rights to the surface (with actual farming rights) from ownership rights to the sub-soil (usually held in absentee tenancy)—cannot be regarded exclusively as signs of the faulty operation of the land ownership system, but rather must be accepted as one of the practical means to work out an accommodation between the system and the sociological requirements.⁽⁹⁾

IV

Since this problem is one that will only come to the fore when the principle of descent functions as a variable in the distribution and ownership of land, the matter is not so pressing that it must be settled today or tomorrow. But there is no doubt that a problem exists in those countries of Free East Asia (other than Japan) which have recently carried out land reform programs. Therefore, it can be postulated that sometime in the not too remote future, regardless of the sincerity of all parties involved in the land reform programs, a significant variable other than the ones now being considered will have to be successfully manipulated within the existing frame of reference, or the land reformers will see the fruits of their painful efforts wither before their eyes.

Because of limitations of space the treatment of this problem in the present study is limited to the contemporary situation. However the problem is not recent in East Asian, especially Chinese, history. The articulation of the principle of homoyogeniture with an expanding population and the limitation of the available land have led time and again to agrarian unrest. This has even been considered by some observers to be one of the causes for the downfall of a Chinese dynasty and the replacement of that dynasty with a new dynasty supporting the demand for land reform and land development. The situation became particularly acute in the nineteenth century with the introduction of general peace, western techniques of sanitation, etc. (resulting in a great growth of population) and the simultaneous decrease in the rate of bringing new land under cultivation. It is the latter stage of the problem that the current land reformers have inherited. For one discussion of the historical treatment of this problem, see Lee, M.P.H., *Economic History of China*, New York, 1926; and compare (for population increase) Chen Ta, *Population in Modern China*, Chicago, 1946 with (for arable land availability) Chen Shaokan, *System of Taxation in the Ch'ing Dynasty*, New York, 1914.

To see that a problem exists is one thing; to provide the solution, however, is quite another matter, especially in this case. What are some of the possibilities currently being discussed by those who are aware of the problem?

(1) **Industrialization.** Briefly, this familiar thesis maintains that if industry can be developed in a predominantly rural structure, sufficient numbers from the overpopulated rural areas will be inspired to leave the land for a brighter future in the urban industrial centres, thus relieving pressure on the land and reducing the number of those desiring an inheritance in land (particularly if the land reformers persist in forcing inheritors actually to farm the inheritance).

The supporting evidence provided by the advocates of this solution is well-attested in the socio-economic history of the western world, and even that of Japan. If this relationship between industrial development and a more satisfactory rural structure came about in the western world and Japan, why should it not be established in East Asia generally?⁽¹⁰⁾

A significant feature of this hypothesis, the reader can immediately see, is the fact that all the other social structures in question, in contrast to those of East Asia outside Japan, contained the principle of monoyogeniture in the institution of descent, at one time or other. For this reason, at the strategic point of industrial development, large masses of landless ex-peasants were ready, willing and able in sociological terms to take advantage of this new source of economic activity and social status.⁽¹¹⁾

Since East Asia (except for Japan) has not been blessed with this system of descent, the peasants in the social structures of that area do not have the compulsion to leave the land that their counterparts had in the social structures of seventeenth and eighteenth century Europe or nineteenth century Japan, save in times of economic unrest. In the non-Japanese East Asian case, therefore, any large-scale movement to the urban centres is temporary, since status remains bound to the land in the way noted above. For this reason, the peasant returns to the land whenever he can, even though he may be well established socially and economically in the urban centre. The hypothesis of mass "industrialization" cannot, therefore, be accepted as a possible solution.⁽¹²⁾

(2) **Joint Ownership.** In this case, instead of each member being entitled to a share of the inherited land under the principle of homoyogeniture, inheriting an actual fraction of any particular parcel of land, each heir inherits only a theoretical share of the parcel. The parcel then remains empirically intact under joint ownership. Practically speaking, heirs share only the fruits of the land, not the actual land itself. In this way, the land can be held intact and not fragmented to the point where it reaches economic insignificance. Land ownership on the island of Taiwan, for example, has traditionally been characterized by the majority of land holdings being under this form of ownership.⁽¹³⁾ Provided that each member in a joint-ownership arrangement is actually engaged in cultivation, in the post-land reform era the Taiwan government respects that right, though individual ownership is the general rule.⁽¹⁴⁾ A moment's reflection will show, however, that joint-ownership only retards the inevitable outcome. Though the land is maintained intact, the number of individuals who depend on that identical piece of land for subsistence keeps on increasing generation after generation under the principle of homoyogeniture. For this reason, the disadvantages due to the economic insignificance of each owner's share of the produce will outweigh the theoretical advantages of maintaining greater productivity by pooling resources, utilizing more efficient divisions of labor, etc.

(3) **Population Control.** This is now seriously being considered throughout East Asia as a solution to overpopulation in the rural areas. From the point of view of the present study, population control means fewer heirs in each generation, and consequently less fragmentation. Unless a stationary population (that is, an equality between births and deaths) is in prospect, however, population control will obviously serve only to diminish the rate of fragmentation, and will not eliminate the problem itself. This proposal is thus of the same order, as a possible solution, as the proposal of joint-ownership discussed above.⁽¹⁵⁾

(4) **Increased Production.** Advocates of this solution maintain that if food output per unit of land can be increased it will be possible to feed the existing population,

even on smaller units of land. In this way the pressure of population on land diminishes even though the units become smaller in turn. It may be emphasised that this too merely diminishes the problem and does not solve it: so that this proposal is very much of the same order as the others discussed above. Moreover, even in the event of a radical change in the techniques of increasing the food supply per unit of land, homoyogeniture always provides room for all those who have a right to a share in land, and there is no reason to believe that there will be any change from the past practice of increasing the birth rate as production increases.

In sum then, all four of the proposed solutions, and possibly others of similar standing will only delay not solve the problem at hand. Free Asia does have some time to think through the problem, for it takes a generation or more after land reform for the problem to incubate and hatch. There is not unlimited time, however, for we now are, and probably will continue to be, in actual competition with the Communist "solution" to the land problem.⁽¹⁶⁾

We may note that the abolition of private property as such will not solve the essential problem as we see it here, any more than the other proposals discussed; the same number of mouths exist to be fed on the same amount of land, whether that land is publicly owned, privately owned, or held in joint ownership. The question of urban migration is another matter. In some areas of the West, forced migration was the order (e.g. the English enclosures), but again, the principle of monoyogeniture facilitated settlement of this social upheaval.

What then must be Free East Asia's solution to the problem? It is the thesis of this study that the substitution of a system of monoyogeniture or the divorce of property and status (especially with reference to rural land holdings) lies at the core of any solution. In this way, for the first time, there will be a positive incentive for mass migration from the land, and not just temporary movements in time of economic crisis, which only aggravate a similar urban crisis.

If all the industrial plants in Detroit were transplanted to Free East Asia overnight, in magical fulfilment of the industrialisation solution, this would not solve our problem, unless there was also acceptance of the divorce of landed property from status, or the principle of monoyogeniture to provide assurance that the urban hands would stay at the machines. For it does not follow logically that, just because people go into the urban centres, they will have the incentive to stay there and not return to the land at inheritance time.

We often overlook the fact that this system of monoyogeniture—divorce of property from status—existed in the West under feudalism. That is, it preceded the introduction of industrialization and modern urban development, and did not occur as the result of urbanization. Urbanization and industrialization, therefore, provide further new and legitimate sources of status. Industrialization did not provide a novel principle of property status; the divorce between property and status may be considered an extension of the principle of monoyogeniture, as noted in II above.

In conclusion, we ask the reader to note that the proposal is sociological in nature and is beyond the purely technical or economic aspects of a healthy land ownership program. This is not to underestimate the significance of land reform programs, and the problems connected with them. The writer does feel, however, that it is unfortunate that the technical-economic aspects, discussed in I above, have so far been the sole line of approach. The measure of success in carrying out this proposal of a change in the criteria of qualification by descent for the ownership of

land may very well be the guide to the ultimate success or failure in maintaining the loyalty of rural Free Asia, in competition with the Communist policy of forced mass migration to the urban centres and the elimination by decree of all private ownership in land.

It is for these reasons that the challenge of land reform in Free East Asia must be considered a sociological one.

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PARTY MEN AND "PRIVATE PERSONNEL" IN CHINA

While the hoary-headed elders of the various bourgeois associations are required to take various courses in Marxist doctrine at a special Institute of Socialism to be built in Peking, the Party cadres in turn are being directed to learn scientific and technical know-how from the scientific and technical personnel and the experts. Party officials are instructed to learn the merits of the personalities outside the Party and learn them with humility. This, says the People's Daily, is an indispensable condition for the success of their work. It also enables the Party and the non-Party personnel to "tighten their relations" and enables the broad masses of the non-Party cadres to be led to action. "The personalities outside the Party have their own merits, all of which ought to be learned. . ." In the past, due to our prolonged entanglement with the revolutionary war, there was no possibility for us (members of the Party) to learn natural science. As a result, many of our cadres know very little of this branch of knowledge. The situation we are in is quite different now. At a time when our country is preoccupied with economic construction on a large scale, the modernized knowledge of science and technique is of great significance to our undertaking. If the Communist Party members charged with leadership work in Socialist construction have not even the most elementary knowledge

of science and technique, they can hardly be expected to make themselves equal to their tasks.

"Just think! If a Communist Party member employed in the capacity of superintendent or Party Committee secretary of a metallurgical plant knows nothing about metallurgy and production technique and remains as ignorant year after year, can a good superintendent or Party Committee secretary be made of him? Certainly not. He must learn from the non-Party scientific and technical personnel and experts before he can overcome his weakness."

The writer admits that some of the CCP members do not see things in this light at all. They are arrogant and have no respect for the functions and rights of the non-Party personnel in work. They do not bring out the functions of the non-Party personnel, much less to learn their merits. They feel that they are more capable than the non-Party personnel. They trust only the comrades of the Party but not the non-Party personnel. And a number of actual episodes are cited to illustrate the point. Some engineering and technical personnel and experts "went deep among the masses," and after due investigation and study, put forward valuable suggestions for the improvement of work. Instead of commending and encouraging them, the Communist Party

members in these units made a mockery of them or pigeon-holed their suggestions for a long time without taking any action. "Some Communist Party members are afraid to drop the airs of importance as leaders. They fear that they would suffer loss of prestige if they learn from others. They do not know that they must learn the know-how and be able to carry out their work well before they can uphold their prestige as leaders. Otherwise, they would remain ignorant for ever if they refuse to learn what they do not know from others, and would have no prestige to speak of."

The CCP members are also enjoined to learn from the capitalists and the personnel of the capital side their knowledge and experience in business management which will still be useful in the future. The political report of the Party Central Committee to the 8th National Party Congress pointed out that up to the moment, the national bourgeoisie still remains to be the class which has a better knowledge of modern culture and has a greater number of intellectuals and experts at its disposal. (That is, in fact, an amazing example of under-statement, for the Party personnel are almost entirely ignorant of any skills at all except the skill of propaganda and agitation, in which they spent their youth). Many of the personnel of the capitalist side have rich management experience and technical knowledge. They know what are the specific needs of the consumers; they are well acquainted with the market conditions; and are apt at working out fine details. When these things are used in the capitalistic enterprises, they make profit for the capitalists. But they may also be made to serve the interests of the country and the people if they are adopted in the transformed and State-owned enterprises.

"In the field of commerce, for example," the writer goes on "many personnel of the capitalist side are better acquainted with the quality and use of commodities, the conditions governing their production and marketing and the laws of change in the market. They are experienced with the transportation and storage of commodities, and are more attentive to the rendering of services. If we can learn and adopt these experiences and merits humbly, we will find them of great help toward overcoming such shortcomings as the low quality of goods, the incompleteness of variety and pattern, the high overhead expenses, the high rate of loss, unsatisfactory storage, and crude behaviour to customers. Consequently, the Political Report of the Party Central Committee to the 8th National Congress says that in addition to educating the personnel of the capitalist side, we

must learn from them in earnest so that we may inherit their beneficial experiences and knowledge as if they are part of the social legacy." Examples are quoted to underline this advice and detailed suggestions given as to the way in which Party cadres should address themselves to the task of sitting at the footstool of the despised and condemned bourgeoisie.

But it is candidly admitted that after they had been regaled with tales of the shocking crimes and depravity of the bourgeoisie during the two terror campaigns organised by the Party (the three anti and the five anti), there are very few Party members indeed who have any affection for or confidence in the capitalists and are prepared to accept their knowledge and experiences without analysis and criticisms. On the contrary, quite a number of Communist Party members "adopt the vulgar attitude of negating this part of social legacy. They think all the things of the bourgeoisie are bad and not worthy of learning or adoption. This over-simple and vulgar way of having things done is wrong in the extreme, and can bring nothing but harm to our enterprises. Even more Communist Party members are afraid of the ideological corrosion of the bourgeoisie, though they do not negate all their things. They are afraid of contacting the private personnel, much less to learn their merits. These comrades should be reminded that whether a person would be corroded by the bourgeois ideology lies not in whether he is in contact with the bourgeois elements but in whether he can stand firmly on the side of the working class. If he is firm with his stand, even if he is daily in contact with capitalist personnel and learns all their merits humbly and sincerely, he would not be exposed to the ideological corrosion of the bourgeoisie but would intensify his co-operation and improve the work relations with the personnel of the capitalist side. This is of benefit to the advancement of enterprise management and the ideological transformation of the bourgeois elements."

The editorial in the People's Daily goes on to say that the enterprises are making headway at a fast pace. "We have many things to perform but we have too little knowledge and experience. Every Communist member must for ever remember Chairman Mao Tse-tung's exhortation: 'Humility leads to progress while arrogance brings retrogression'. He must learn untiringly and must not be ashamed of asking questions. He must look upon those with merits as the teachers and learn the merits of others in all places and at all times."

REPORTS FROM CHINA

Industrial Output in 1956: Peking claimed that 184 locomotives and 6,687 passenger and freight cars were produced last year. Capital construction in locomotive and car industry was 285.4% of 1955. Expansion of three plants and construction of two new ones started last year in Dairen, Changchun, Tsitsihar, Tsingtao and in Tatung. The 1956 gross output of the Anshan Iron and Steel Company was 45% greater than in 1955. Pig iron increased 35%; steel, 87%, and rolled steel, 73.9%. Chemical enterprises in China exceeded the 1956 production target by 12.5%. Compared with 1955, the gross output went up by 41.4% in value. Output of caustic soda, synthetic ammonia, potassium chlorate, penicillin and sulphadiazine topped the production level set for 1957. 841 new types of rubber goods, paints, dye-stuffs, medicines, synthetic organic chemicals and other products were trial produced between 1953 and 1956. Serial and mass production has started on aniline, scarleting base,

phenol, poly-vinylchloride, organic glass, syntomycin, rubber tyres for heavy trucks and aircraft industry, and many other new products. In the paper industry, 710,000 tons of machine-made paper were produced last year. Over half of the output was news-print and other paper for printing and writing purposes. Paper for industrial use, including cement bag paper, totalled 53,000 tons. New paper mills and workshops put into operation last year increased the industry's annual capacity by 44,700 tons of paper and 44,200 tons of pulp. Output of sugar in 1956 reached 870,000 tons. Output this year will reach 1.1 million tons after 6 big refineries with a combined annual capacity of 200,000 tons of sugar are put into operation; there are now 80 refineries in China.

New Factories: Construction has begun on a big cement factory in western Szechwan, some 200 kilometres north of Chengtu; work will be completed in 1959. In Inner

Mongolia, construction of a milk powder factory was completed recently. The factory, able to turn out 1,700 tons of milk powder a year, is located in Yakoshih, a livestock raising centre in the Hulunbuir grasslands and along the railway from Harbin to Manchouli.

Natural Resources: In 1956, 80 oil-bearing structures were located in well-developed sedimentary regions in the Tarim, Tsaidam and Kum Kul basins in Northwest, the Ordos Platform, the North China Plain, the Szechwan Basin, Nagchuka in Tibet, Kwangsi and in Kweichow provinces. Oil surveying was carried out last year in Sinkiang, Inner Mongolia, Tibet, Kwangsi, Chekiang, and 13 other provinces, covering a total area of nearly 500,000 square kilometres. Rich iron ore deposits were recently discovered in the southwestern Szechwan adjacent to the Tibetan Plateau. The ore body is six kilometres long, and two kilometres wide, and the ore is reported to be suitable for the manufacture of high-grade steel. A trunk railway connecting Chengtu of Szechwan Province and Kunming of Yunnan Province will pass through this area. On the border of Tibet and Chinghai, 2 iron mines containing ore deposits in concentrated seams and of high quality and extractable depth have been discovered in the Tangla Range. Peking also boasted that total forest timber resources in Tibet are more than 100 million cubic metres.

State Farms: Total sown acreage of China's more than 450 state farms reached half a million hectares last year. This was 80% above the 1955 figure. Most of the sown acreage was under grain crops. Last year the per-hectare grain yield of the state farms was 12% higher than that of the agricultural producers' cooperatives in the country and the per-hectare cotton yield 69% higher. The state farms also grew soya-bean, sugar-cane, rubber and other industrial crops. Last year the state farms opened up 350,000 hectares of wasteland. The number of pigs raised by the state farms grew to 330,000.

Water Conservancy: Acreage under irrigation was expanded by ten million hectares in China last year. The country's total irrigated acreage had now reached 33 million hectares, almost one-third of China's total arable. One of the big reservoirs—the Mei Shan along the Huai River, was completed last year and a big sluice gate was built along

the coast in the lower reaches of the same river. Work was also started on two new Huai River reservoirs last year. A new water detention basin was completed along the Han River, tributary of the Yangtze, and the progress on the construction of the Tahofang Reservoir in Northeast China was satisfactory.

Highways: The 350-kilometre highway linking two ancient cities on the Southern border of the Takla Makan Desert in Sinkiang and the 190-kilometre highway leading from Lhasa southeastwards to Chetang were opened to traffic last month. Up to now more than 6,000 kilometres of motor roads have been opened to traffic in Tibet. A new 720-kilometre highway is being built between Nagchuka and Chamdo in northeastern Tibet. The new 337-kilometre highway in the Liangshan Yi minority area in the Southwestern Szechwan was also completed last month. It starts from a new town along the Kinsha Kiang River and terminates at the trade centre of Sichang.

Peking-Tardin Air Link: The service between Peking and Tardin was inaugurated last month. The Tsaidam Basin is one of the oil-prospecting centres in Northwest. The flight takes eight hours eleven minutes to cover the 2,287-kilometre air route. It touched at Paotow, Lanchow and Sining airports along the route.

Foreign Visitors: Peking reported that over 5,200 persons including government leaders, scientists, writers, artists, doctors, industrialists, business men and trade union workers, from 75 countries visited China last year. Some 3,500 people took part in mutual visits between China and countries in Asia and Africa. Of these some 1,200 came to China from Japan.

Foreign Trade: According to Peking statistics, the quantity of freight for foreign trade handled in 1956, through six major ports, was 48% higher than in the previous year. The ports are Dairen, Chinwangtao, Tientsin, Tsingtao, Shanghai and Canton. Principal exports were soya beans, tea, salt, coal, mineral ores, textile machinery and manufactured goods. Among the imported goods were machinery and equipment, fertilizer, rubber, tractors, cotton and other raw materials. 1,725 merchant ships from 21 countries entered and cleared these ports last year.

ON THE FIVE YEAR ECONOMIC PLAN IN JAPAN

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I. Introduction

The "Five Year Economic Plan" (1956-1960) was drawn up by the Japanese Government at the end of 1955 and approved by the Diet a little afterward.¹ It is the first plan formally recognized as the national policy of the Government after the War. Although the idea of economic planning was growing in popular favour in these ten years, we can not deny the fact that a strong hatred against the war-time controls was still prevailing among some of us. Under the government of Jiyuto (one of the conservative parties) which remained in power for about seven years since 1948, the economic planning was not given a warm reception and several plan-formulations were attempted merely in

semi-official form.² At the end of 1954, when the Hato-yama Cabinet was formed as a result of merger of two conservative parties (Jiyuto and Minshuto), the preparation for a new plan-making was set to work and the amendment of its draft originally called "Six Year Economic Plan" was published after a year as "Five Year Economic Plan", which constitutes the subject of this paper.

We shall be concerned in this paper with some methodological considerations as to techniques of the Japanese Plan.

1. The Plan is formally called "Five Year Economic Self-Support Plan" and was published on December 23rd, 1955.

2. The plans which was hitherto made by the Government are as follows: (1) the Economic Recovery Plan (1948-1952), 1948. (2) the Secondary Recovery Plan (1949-1953), 1949. (3) the Economic Self-Support Plan (1951-1953), 1951. (4) the Economic Development Plan of 1955, 1954. Of these plans, the second one is the most detailed containing numerical data in a large scale. The last one is noteworthy as the direct antecedent of the new Plan.

The techniques of planning may widely differ from country to country. Moreover, within any one country, they may undergo some changes through various circumstances. In the present situation of Japan, something more powerful than the fiscal-policy planning, but not so radical as the mobilization-planning, seems to be looked for, although this midway is not always clearly grasped. It is also the point at issue in the Five Year Economic Plan. We can discuss the matter from the political point of view or from that of practitioners. But, subsequent considerations, which may be called scientific, shall be confined to narrow limits. In fact, the purpose of this paper is only to make explicit the assumptions underlying the Plan and to clarify the fundamental problems involved in it, so far as the techniques of planning are concerned.

II. The General Formula and the Basic Numerical Tables

At the outset, the general formula of the plan should be investigated. The Plan, as we are told, has been made on the basis of the formula given in Gerhard Colm's "The American Economy in 1960".³ It is, however, not exactly the same as that of Colm, as will be pointed out in the sequel. So far as the main idea is concerned, the Plan seems to follow Colm's formula and along the procedure as shown schematically in the following lists:

- | | | |
|---|--------------------------------------|----------------------------------|
| (1) Increase of workers | — | (3) Increase of national product |
| (2) Increase of productivity per capita | | — |
| (5) Increase of personal consumption | (4) Increase of national expenditure | |
| (6) Increase of private capital formation | | |
| (7) Increase of government expenditure | | |

In other words, by estimating (1) the increase of workers and (2) the increase of productivity per capita, (3) the increase of national product is conjectured. Then, corresponding to (3), (4) the increase of national expenditure is estimated, which are divided into three items, namely (5) the increase of personal consumption, (6) the increase of private capital formation and (7) the increase of government expenditure. So much for the formula adopted by the Japanese Plan and the same given in Colm's writing above mentioned.

There are, however, some divergencies of the Japanese Plan from Colm's formula. The most important point lies in the fact that the former takes account of the structural change of industries somewhat in detail, while Colm scarcely takes it into consideration by assuming that the future progress of productivity as a whole may be stable and steady. This divergency may be perhaps due to the difference of economic patterns between two countries. In a highly advanced economy, such as in the United States, a fairly steady secular trend in technical productivity seems to be recognizable.⁴ But in such a country as Japan, which is not so highly industrialized and moreover confronted with external severe competition in the world market, the growth of productivity is largely dependent upon the structural change of industries, which may be under the influence of national policy. This is the reason why the Japanese Plan tries to take account of the structural change of industries somewhat in detail.

Before we proceed with further investigation, some basic numerical tables in the Plan will be shown. In the first place, the framework of the Plan can be expressed in the following two tables concerning gross national product and gross national expenditure, which respond to the above mentioned lists.

Table I. Gross National Product

	1954	1960	rates of increase
Number of workers (1,000)	39,820	44,860	112.7
Per capita annual production (1,000 yen) ..	181.8	216.6	118.6
Gross national product (100 mil. yen)	72,410	96,730	133.6

In this table, the gross national product is computed from the estimations of two items, namely, the number of workers on the one hand, which is in turn based on the estimates of population and labour force, and the productivity per capita on the other. Here the number of workers is estimated on the assumption that the employment situation might be improved as high as possible. It does not mean the achievement of full employment in a strict sense. In view of the fact that there is now a considerable number of latent unemployment (disguised-employment suffering from low income and short work hours), a special consideration must be paid to the employment problem. According

to the Plan, the policy should be fundamentally such that the economic activity will be enlarged so far as possible to provide many opportunities for employment and that the latent unemployment will be taken care of by increasing their income. But, in regard to the latent unemployment, no information is available of the numerical data. In the last column of the above table are shown the rates of increase on the base of 1954, which can be converted into the annual rates, namely 2% for workers, 3% for productivity and consequently 5% for gross national product.

Table II concerns the national expenditure. The total amount is the same as that of gross national product in the Table I, both being related to each other. But here the expenditure is classified into four items with different rates of increase respectively. Judging from the rate of total expenditure, 133.6%, the private capital formation is very high, while the personal consumption is somewhat low, and the government purchase is a little high.

Table II. Gross National Expenditure

	1954	1960	rates of increase
Personal consumption (100 mil. yen)	46,150	60,140	130.3
Private capital formation	11,100	17,410	156.8
Government purchase	13,850	18,960	136.9
Current overseas surplus	1,310	220	16.8
Gross national expenditure	72,410	96,730	133.6

Now, we must add some more numerical data. As above mentioned, the Plan is somewhat divergent from Colm's formula, in particular with respect to the structural change of industries which it takes into consideration. The above Table III as to production indices will show how the expansion of each industry is to be expected in the Plan.

From these figures, we know that the rate of increase of secondary industry is rather high and that in it the heavy and chemical industries (such as chemical, ceramics, metals and machinery) are expected to expand to more marked degree in this Plan. Along with this table, some important

3. Gerhard Colm: The American Economy in 1960. Economic Progress in a World Tension, A National Planning Association Staff Report, December 1962.

4. See John W. Kendrick's article, "National Productivity and the Long-Term Projection" in Long-Range Economic Projection, Studies in Income and Wealth, Vol. XVI. (National Bureau Committee for Economic Research) 1964. It should be noted that the subject of this article is to treat productivity trends in sectors of industry, and that the author emphasizes in conclusion: "A fairly steady secular rate of growth in technical productivity seems to be among the more persistent features of a highly industrial economy."

Table III. Production Index

	1954	1960
Primary Industry	100.0	126.5
Secondary Industry	100.0	153.7
Mining	100.0	125.2
Food processing	100.0	142.0
Textiles	100.0	132.0
Printing	100.0	135.7
Chemical	100.0	183.0
Rubber & leather	100.0	140.5
Lumber	100.0	145.5
Ceramics	100.0	155.3
Metals	100.0	159.0
Machinery	100.0	160.0
Tertiary industry	100.0	128.7

Note:—We can calculate the weights of each industry from other statistical sources. The proportion of the national income attributed to each industry is computed at 21.5 in the primary, 30.8 in the secondary and 48.2 in the tertiary in 1954. We obtain 2.3 for mining by a similar computation. As regards each manufacturing industry, its relative proportion of "added value" is available and the proportion based on the whole national income is computed as follow. 2.69 in food processing, 3.09 in textiles, 1.33 in printing, 3.39 in chemical, 0.53 in rubber & leather, 0.88 in lumber, 1.34 in ceramics, 3.38 in metals and 4.91 in machinery.

commodities in each industry are examined and their production targets are computed in the Plan, but they are not indicated here.

With regard to foreign trade, the projection is shown in Table IV. It is required for the Japanese economy to maintain the balance of payments by the normal foreign trade. The requirement is therefore that of "self-support" as is explicit in the title of this Plan. The import expansion should be controlled to the extent, in which we can keep a reasonable balance of payments by means of the

Table IV. Foreign Trade

	1954	1960	rates of increase
Export (mil. \$)	1,602	2,660	166.0
Import (mil. \$)	1,692	2,590	153.1

most efficient operation of foreign currency at our disposal as well as of the development of industries, which can contribute to the improvement of self-sufficiency. On the other hand, the rapid expansion of export trade is necessary and the competitive power of our export goods must be strengthened by means of industrial rationalization, improved productivity, acquisition of new overseas market, etc. Some important goods of export and import are treated in the Plan, but the related figures are omitted here.

Table V. Private and Fiscal Investment

	1954	1960	rates of increase
Private capital formation (100 m. yen) ...	11,100	17,410	156.8
Equipment	7,850*	12,280	168.3
Inventory	2,540*	5,290	129.5
Personal dwelling	980*	1,740	177.6
Fiscal investment	5,150	7,850	142.7

Note:—*The figures of these three items are not correct, because the total of them does not amount to 11,100.

The itemization of investment is shown in the last table. The total of private capital formation, which has already been mentioned in the Table II, is divided here into three items; namely equipment, inventory and personal dwelling, of which the equipment investment is expected to increase in a very great degree except the personal dwelling, which is of relatively little significance in the absolute amount. The increase rate of fiscal investment is a little higher than

that of total expenditure. So much for the investment, but there is no data of more detailed nature about government accounts and credit policy in the Plan.

III. The National Income Method to be Revised

The formula of the Japanese Plan, as above mentioned, is based on the national income method, i.e. the method to maintain a balance between the national product on the one hand and national expenditure on the other. The method, it may be said, is widely in use in the contemporary theory of national income. The Japanese Plan adopts this method at the start, but it takes care of the industrial structure of production in latter part, as we have shown in the numerical tables of production-indices and foreign trade. In this connection, it may be argued that the estimation of national product or productivity on a global basis would be checked with "pile-up" data as to sectors of industry. Needless to say, the estimate for total and estimate for parts are both required and are to be checked with each other. But it is not correct to argue further that the one is more reliable than the other, or that the more detailed the better for economic planning. Such a misunderstanding seems to be held by the Plan. All this, however, is beside the main point. What we want to ask here is not the reliability of statistical data, but the way to modify the national income method by taking care of the industrial structure of production. For, if we assume that the future progress of productivity as a whole may be stable and steady, Colm's formula will do. But, if we have to establish the appropriate composition of sectoral productivities for the future progress, it will be required not only to divide national product into several sectors, but also to revise the notion of national product in connection with production in the proper sense. The Japanese Plan does not clearly recognize this matter.

We must distinguish each of these three terms from one another, namely net national product, gross national product and D for depreciation of capital goods. Then $Y + D$ is gross national product (G). Again, letting U stand for producer's goods used inclusive of depreciation, $Y + U$ is the amount of production (X). For example, the net national product in 1954 amounts to 6,132 billion yen, while the gross national product amounts to 7,359 billion yen. Further, according to the statistics of the manufacturing, the amount of production or the total value of shipment is 6,057 billion yen, while the added value or the amount exclusive of producer's goods used up is 1,900 billion yen. Thus we have the notion of production (X), besides net national product (Y) and gross national product (G). The change of X can be indicated in the production-index and the connection between production and national product can be expressed in the formula $X - U = Y$.

Nevertheless, it might not be said that the notion of production, which is denoted by X in our symbol, was never treated previously in the literature on income theory. In fact, the "gross produce" in Marshall's Principles is nothing but $Y + U$, while his "net national income" is defined as $X - U$. Such a definition is however not widely in use in recent times and the notion of national product denoted by Y has been introduced with a somewhat ambiguous sense. Thus, when the formula

$$Y = C + S \quad (C = \text{consumption and } S = \text{saving})$$

is adopted, Y is usually defined as the income-getting against income-spending, and the income-getting Y is supposed to be a blend of income produced and income distributed. Therefore, the notion Y can be, if necessary, divided into two different aspects, one of which takes care of the production aspect to be represented by $X - U$, while the other

is concerned with the distribution aspect to be represented by $A + B$, where A and B respectively stand for the labour income and property income. Taking into consideration all these aspects—production, distribution and expenditure—we obtain another formula of the following form:

$$X - U = A + B = C + S.$$

This formula may be contrasted with the above mentioned formula $Y = C + S$. If a steady secular of Y is assumed, the strategic factors may be found in the expenditure or $C + S$. This means the ordinary formula. In our formula, three aspects being related with each other, the structure of production is to be treated positively.

As is well-known, the inter-industry economics is sometimes better taken care of by the so-called input-output tables, which arrange the sales and purchases of industries with a view to showing the interconnectedness of the entire economy. But no use is made of such tables by the Japanese Plan and it is not without reason.⁵ In author's opinion, the input-output technique requires too much refinements in statistical materials and too much rigidity in theoretical formulation. It is rather hazardous to employ it, when the accuracy of quantitative economic data is not much expected. Although the input-output technique would be of service within some restrictions, the more general, though somewhat rough, framework of industrial structure can be expressed by the national income accounting, if its aspect of production $X - U$ is represented as the sum of its sectors such as $(X_1 - U_1) + (X_2 - U_2) + (X_3 - U_3) \dots$, and within this framework the relevant factors of determinancy are to be looked for by all means.

Although our revised formula of national income is very simple, the numerical data given in the Japanese Plan are still too defective to be applied to the formula as it is. In fact, we can not get any information on the distribution aspect of national income. Especially, the sectoral classification of national product can only be approximately calculated, for there is no information about the relation between production-index and national product. We shall turn now to the more substantial problems.

IV. The Objectives of the Plan—"Desirability"

The Japanese Plan declares that the economic self-support and the improvement of employment situation are to be attained maintaining the key-note of stabilized economy. Thus the economic self-support in the sense of equilibrating the balance of payments is assumed in the projection of foreign trade in the above mentioned Table IV. The improvement of employment situation in the sense of providing abundant employment opportunities is also assumed in the estimation of the number of workers in the above mentioned Table I. With respect to the stabilization of economy, the Plan indicates that the economic growth rate must be set at such a level that the intended economic expansion be attained without causing inflation.

These assumptions of the Plan may be called the objectives or targets in their political meaning. Their adequacy should be for the most part discussed politically. From the economic standpoint, the objectives are to be the economic position or the economic pattern in future, expressed by the national income formula. We must now examine the objectives in this sense. The following table will show the compositions of the national income in the planning year and compare them with the figures in the selected past years, calculated from the data at our disposal.

Table VI. The Compositions of National Product and National Expenditure

	1960	1954	difference	1950-4	difference
National product	100.0	100.0	...	100.0	...
Primary industry	19.4	21.5	-2.1	28.5	-4.1
Secondary industry	35.4	30.8	+4.6	31.8	+3.6
Tertiary industry	44.8	48.2	-3.4	45.0	-0.2
Others	0.4	Δ 0.5	+0.9	Δ 0.3	+0.7
Ratio of export to national product	12.3	9.9	+2.4	9.7	+2.6
National Expenditure ...	100.0	100.0	...	100.0	...
Personal consumption ..	62.2	63.8	-1.6	60.8	+1.4
Government consumption	12.0	11.5	+0.5	10.8	+1.2
Private capital formation	18.0	15.3	+2.7	19.8	-1.8
Government investment .	7.6	7.6	+0.0	7.2	+0.4
Others	0.2	1.8	-1.6	1.4	-1.2

Note: The figures for 1954 and preceding years are based upon "The National Income of 1954", prepared by the Economic Planning Board, where the national product is "net" and national expenditure is "gross". The composition of the national expenditure for 1960 is taken from the numerical table of the Five Year Economic Plan, while the composition of the national product for 1960 is computed by the author from the production-indices given in the Plan.

However, the economic patterns as the objectives of the Plan are not clearly seen from these figures. For instance, the percentage of the secondary industry, i.e. 35.4%, may be too high and that of investment inclusive of both private and fiscal, i.e. 25.6%, also somewhat too high. But, if we wish to derive any definite conclusion, we have to inquire into the historical data in the longer period. Of course the extrapolation of the past tendencies is not the only method we can depend upon in planning. In fact, we must assume something more than a mere extrapolation. But whatever kind of assumption we may set, it should in turn be based on the historical interpretation of the economic patterns, although we must at the same time take care of the inner conflict of antagonistic interests in the present economy. Now we will point out some problems in this connection.

Firstly there is the problem of the proportion of the secondary industry. The development of the secondary industry in Japan has been highly progressive. According to other statistical sources, the proportion of its income to the whole national income has successively passed three stages, (1) less than 25% up to 1912, (2) from 25% to 30% during 1913 to 1932 and (3) 30%—35% from 1934 till now with the exception of several years. It may therefore be concluded that the overcoming of the last stage is one of the purposes of the Plan. But, at the same time we must pay due consideration to the effects of this industrialization on other industries. The relative distribution of workers in three sectors is respectively computed at 44.23 and 33 in 1954 and 40.24 and 36 in 1960. The ratios of relative income (the distribution of income divided by the distribution of workers) has changed from 0.489 to 0.485 in the primary industry, from 1.33 to 1.47 in the secondary industry and from 1.46 to 1.24 in the tertiary industry. The pressure upon the tertiary industry may be problematical from the standpoint of employment policy.

Secondly, there is the problem of the proportion of export. The change of this proportion in Japan is characterized by a clear-cut contrast between the pre-War average of more than 15% (or 18% inclusive of export to the forfeited territory) and that of less than 10% in the post-War period. The level aimed at by the Plan is 12.3%. Here comes the problem of foods import, which the Plan intends to restrict not to exceed the absolute amount of import in 1954. Whether the import of foods will be advantageous or not is a difficult question, which is connected with not only economic but also political disputes.

5. The computation of the input-output tables has been attempted in Japan concerning her economic situation of 1951.

Thirdly, the problem of the investment will be considered. The private investment seems to be so strongly affected by business-fluctuations, that no typical tendency can be found out, even in the data obtained in the pre-War period of considerable length. If more detailed data would be available of price index number for investment goods, the proportion might be shown more stable. Anyhow 18.0% seems to be somewhat too high as compared with growth-rate, which is 5%. In the post-War period, i.e. from 1950 to 1954, the proportion of investment was 19.8%, but the growth-rate was also as high as 10.4%. As regards the fiscal investment, the increasing tendency is recognized after the War as compared with that for the pre-War period (about 3% or more). A question is then raised as to the proportion of private investment, which is as high as 18% in the above table. The supply and demand of such a high investment should be dependent on the relation to investment policy adopted.

The sum up, in the figures of the Plan there are involved many questions. There are several alternative ways of putting stress, international trade or domestic self-sufficiency, rationalization or social security, and further private investment or fiscal investment. The answer should be a mixture of these alternatives and reflect the inner conflict of antagonistic interests in the entire economy. It should be noted that there is going on an inner conflict corresponding to a very rapid transition to democratic or rationalistic attitudes of social life, with which Japan is confronted. So what is needed for the planning is to develop each alternative to the very extreme for comparison with the other, before the definite answer is obtained.⁶

V. The Instruments of the Plan—"Attainability"

To fill the gap between the aimed at situation and the present one, some kinds of instruments are required, without which the Plan would not be successful. Along the line of national income method, we must here inquire into the rates of change of each item in the national income. The increase or the decrease of change may be again dependent on the past tendencies, but the stress should be put on the political manipulations. In the following table is shown the annual rates of change intended in the Plan together with the tendencies in the past years, which are cited for comparison.

Table VII. The Annual Rates of Change in the Items of National Product and National Expenditure

	1954-60	1953-4	difference	1950-4	difference
National product	5.0	3.8	+1.2	10.6	-5.6
Primary industry	3.2	3.2	+0.0	5.9	-2.7
Secondary industry	7.0	2.2	+5.0	9.4	-2.4
Tertiary industry	4.8	5.7	-1.4	14.6	-10.3
National expenditure	5.0	3.1	+1.9	10.4	-5.4
Personal consumption	4.9	3.2	+1.7	9.9	-5.0
Government consumption ..	5.3	3.3	+2.0	9.8	-4.5
Private capital formation ..	5.9	2.5	+2.4	10.6	-4.7
Government investment ..	5.0	2.7	+2.3	10.8	-5.8

Note: The figures for 1954 and preceding years are derived from Economic Planning Board's national income statistics, where national product is "net" and national expenditure is "gross", so that both rates of increase in the totals are different.

The rates of change during the planning years are higher on the base of 1954 and lower on the base of 1950-4. In other words, the rate of increase was very high after the War, but it has recently been rather damped down, and consequently the Plan intends to raise the rate of increase

somewhat higher than that for 1953-4, although not so high as in the preceding periods. The rate of increase of national income as a whole is assumed to be 5%, the rate of each item being more or less than 5%, as to alter the composition of national income. Of course the complete answer can not be derived only from the past tendencies. Moreover in the case of Japan the growth rates and the derived relations (such as propensity to consume, capital coefficient, etc.) undergo such a severe change that it is not easy to find out stable tendencies.⁷ After all, the question is raised as to what kinds of instruments employed in the Plan to alter the past tendencies to some extent.

According to the remarks to the Plan, the economic system is assumed to be working by the individual initiatives with some sort of regulations within a limit. This means the economic planning under the capitalist system. In general, there are different degrees in governmental planning according to its area of control. If the area is large a comprehensive plan may be made with the expectation of success. This is the "mobilization" planning. But if the area subject to control is small, the planning will be quite limited provided with more flexible nature in order to meet various uncontrollable alterations in the economic activities. Such a planning may be called "inducement," for the alterations in the economic activities are induced through some instruments of finance and credit. The question as to which planning is more appropriate to the Japanese economy may be open to theoretical discussion, but it is justifiable from the practical point of view to adopt inducement-planning in the present situation of Japan. However, this does not mean that in the Japanese Plan there is no ambiguity in this respect.

First of all, it seems strange that no detailed numerical data is given in the Plan indicating these instruments. The Plan only gives the data about the general account of the central government and the monetary fund of equipment investment. There is no information about tax-burden, social securities, credit policy, price policy, etc. Thus we can not correctly judge whether in the whole Plan the objectives and the instruments are in consistency or not. In order to grasp the whole Plan systematically, fuller explanation is required of several supplementary accounts, such as government a/c, capital formation a/c, balance of payment a/c, each being related with the basic formula of national product and national expenditure. Such an arrangement can not be found in the Japanese Plan.

Without the detailed explanation of instruments, the Plan seems to be nothing but ad hoc policy or a mere "guide-post" as the Plan itself declares. But, judging from the objectives of the Plan, it seems to us, somewhat more powerful planning should be required. As above said, the alteration of the industrial structure is intended by the Plan by some measures, such as industrial rationalization, productivity improvement, strengthening of enterprise structure, effective allocation of monetary fund, etc. For the purpose, the investment should be planned through organizing both finance and credit, if not through mobilization. But the Plan, being satisfied with the presentation of a mere "guide-post", does not seem so deeply interested in such an organization of investment. This characteristic of the Japanese Plan may be due to the political situation of the present government. Anyhow, there is no attempt in the Plan to form any fresh idea or new technique corresponding to what Japan requires at present, so far as investment planning is concerned.

6. Colm is right in taking care of several alternatives in the model-building of income expenditure in his "American Economy in 1960".

7. The Plan sets the annual rate of growth at 5%, while the actual rate in 1955 is reported at 8 or 9%. The prosperity is due to the full harvest and the increasing export. This reflects the difficulty of projection.

INVESTMENT OPPORTUNITIES IN PHILIPPINE MINING

By Benjamin Gozon

(Director of Mines, Manila)

Between 1933 and 1941, the Philippines ranked as the third largest gold producer. The 10-month production of gold in 1941 was 1,029,942 ounces and gold mining would have been the premier industry of the Philippines had it not been for the outbreak of World War II. In 1940-41, the records show that mining was the No. 2 industry in the Philippines. There were 79 companies with combined capital of P79 million. Production of minerals was P92.8 million. Dividends paid by 23 companies totalled P18.3 million. Pre-war mining at its height used about 45,000 men a year. Wages ran about P23.0 million. Average laborer in mining received daily between P1.23 and P1.39 (1939), higher than any industry at the time. Only small mineralized areas were in actual exploration and production in Baguio, Mt. Province, Zambales, Ilocos Norte, Camarines Norte and Sur, Masbate, Surigao, Samar, Marinduque, Davao, Misamis Oriental, and Palawan.

A few years before the war, because of the great demand for war materials, the mining industry branched out into chromite, copper, and manganese. One of the world's largest deposits of refractory chromite was discovered in Zambales Province. Fairly large deposits of metallurgical chromite were found in the same province, and also in Camarines Sur and Oriental Misamis. The century-old copper deposit of Mankayan-Suyoc and the chalcocite deposit of Rapu-Rapu, Albay, were developed and operated with modern equipment.

Rich, though comparatively small, deposits of manganese in Busuanga, Coron, Siquijor, and other places were mined without much regard for future operation; so only high-grade ores were produced to take advantage of the favorable market prices at the time. Thus, before 1941, the Philippines had a very promising gold mining industry, and a fair start in base metal mining.

The mining industry was in a very prostrate condition as a consequence of the last war. We produced nothing in 1945. Through the vision, courage and confidence of the post-war pioneers in the mining industry, operations increased steadily, beginning with 1946, when only 9 mines were able to reopen, as compared to about 42 at the close of 1955. It may come as a surprise to many people to know that of the total land area of the Philippines (29,750,000 Has.), not more than 1/20th of one per cent has been actually developed and exploited. One twentieth of one per-cent! And yet out of that comparatively insignificant area, mining has been able to produce about 1,800 million pesos worth of minerals since 1907. Our mineral and geological surveys have hardly covered 10%, and the areas located and applied for mineral development do not amount to more than 5%.

In spite of the comparatively limited areas that are being mined and operated, our production of minerals, in general, has continuously improved since liberation. We have been producing annually an average of P140 million worth of gold, base metals and non-metals for the last 5 years. The country now produces more copper, chromium and iron than at any time in the history of Philippine metal mining. It is a world supplier of refractory chromite, supplying the United States with 80% of its import of that commodity. It occupies 7th position as world producer of gold. It is now the biggest copper producer in the Far

East and in the very near future, the Philippines may become a leading world copper producer.

Value of Philippine mineral production during the post-war years was as follows:—

TOTAL MINERAL PRODUCTION	
Year	Value in Million Pesos
1946	3.99
1947	24.19
1948	37.29
1949	39.29
1950	81.37
1951	116.68
1952	144.31
1953	146.83
1954	147.09
1955	167.00
Total for 10 years	927.00

This total makes our average yearly production during the 10-year period about P92 million and Philippine mining is still only partly rehabilitated.

The Philippine Bureau of Mines, in cooperation with the mining industry and ICA-Philcusa, has embarked on a nation-wide program of exploration, development and mining of mineral resources. Three major projects of the bureau are the strategic minerals survey and development; coal survey and development; and ceramics survey and testing. In addition, an aeromagnetic survey was made of six principal areas in Luzon, Visayas and Mindanao. At the same time, a radiometric survey was carried out over the same areas. A preliminary survey for radioactive minerals was also made of selected mining localities by the U.S. Atomic Energy Commission geologists, assisted by Bureau of Mines personnel.

As early as September 1955, I ventured to say that a base metal boom was then in the making in the Philippines. Today, I can state that a copper and iron boom is in the making. Present estimates have shown that the Philippines produces 85,000 tons of copper concentrates annually containing 17,500 tons of copper metal valued at P30,000,000. By 1957 it is expected that about 300,000 tons of copper concentrates containing 60,000 tons of copper metal valued at about P100 million will be produced annually. This represents an increase in tonnage and value of more than 300% in copper alone.

Reserves of existing and prospective copper mines provide reasonable assurances that this production rate can be maintained for several decades. This anticipated volume of production warrants early consideration for the establishment of a domestic copper smelter and refinery plant. In the case of iron, it is estimated that production will increase from 1.4 million tons to about 2 million tons as from 1957.

We have to pay tribute to private initiative for its interest in the search for new mineral deposits and in the expansion of the operating mines. This is true not only in base metals, but also in mineral fuels like coal and petroleum. This condition stems from several factors: (1) the increasing demand and favorable world market price for these minerals; (2) the favorable investment climate in Philippine mining, and (3) the favorable reports on studies

made on mineral deposits from investigations of engineers and geologists who made on-the-spot appraisals of such reports.

In the petroleum field, eighty-eight applications for petroleum exploration covering an area of 6 million hectares have been filed with the Bureau of Mines of which 1.6 million hectares have already been granted. Several concessionaires are actively conducting geological and geophysical surveys, while one is doing exploratory drilling. On petroleum development, the government has consistently followed two basic policies: (1) to discover oil at the earliest possible date; and (2) to develop an open and free competition among qualified and competent petroleum companies.

Statistics show that our average annual import of petroleum and petroleum products for the last 5 years exceeds P100 million. We have one oil refinery in Batangas, and negotiations are under way for two more to be put up. It is true that exploration costs are tremendous, somewhere between P5 and P10 million and anywhere from 3 to 10 years, for each discovery. But under favorable conditions a single well brought in can easily make up for everything. It is also consoling to know that modern methods of exploration drilling for oil are highly scientific and no longer the hit and miss variety. No responsible oil company would attempt to embark on an expensive drilling program on a mere hunch. If risks are taken, they are closely calculated risks.

Much interest has been shown by local and foreign investors in the development, operation and processing of the nickeliferous laterite deposit in Nonoc Island. Exploratory development to date of Nonoc Island (4,300 hectares) alone gives an estimated reserve of about 39,000,000 dry metric tons with an average nickel content of 1.38% and iron of 39.7%. Considering the actual world market value of the nickel metal contents alone, this reserve will have a market value of more than one billion pesos. Nonoc Island is only a small part of the whole Surigao Mineral Reservation with an aggregate area of about 435,000 hectares.

Proposals have been submitted by interested parties and notice for bid is being studied. A bill is pending in congress authorizing the Secretary of Agriculture and Natural Resources to negotiate with interested parties, and giving him general powers to carry out the operating contract for the development, operation and processing of the minerals within the reservation. The plant alone may require an investment of anywhere from \$50,000,000 to \$100,000,000.

Investment opportunities in Philippine mining are comparable to those obtaining in the progressive mineral-producing countries of the world. New mines and old mines resuming operations are exempt from payment of income tax for the first three years of actual production. Our corporate income tax (28%) is lower than that of Canada (33% plus \$1000) and the United States (52%). Royalties and ad valorem taxes on gross mineral output are fixed at the flat rate of only 1½% for both gold and base metals. Royalty on gross production of petroleum is fixed at the universally accepted normal rate of 12½%.

Gold products enjoy a subsidy of P29 and P33 per ounce, depending on whether the mine is marginal or above-marginal. This subsidy is one of the highest in the world.

Our Petroleum Law is described as one of the most attractive in the world. In fact, the Israel Petroleum Law is largely patterned after ours. Under the Laurel-Langley Agreement, foreign exchange tax has been abolished. New and necessary industries, to which petroleum industry belongs, are exempt from internal revenue taxes for a period of several years.

The mining industry has the highest index of employment among the selected non-agricultural industries in the Philippines during the period 1950-54, and it ranks second in average monthly earnings of salaried employees and wage earners during the period 1952-54. For the duration of the Parity Amendment, Americans enjoy the same rights and privileges as Filipinos.

MALAYA'S INDUSTRIAL RELATIONS

It is the aim of the Malayan Government to model Malaya's industrial relations system on the system which exists in the United Kingdom. That is to say that Government's policy has been to encourage the two sides of industry to make their own voluntary arrangements for the settlement of wages and conditions of work, and for industry to set and keep its own house in order without the need for Government intervention. The first essential for the carrying out of this policy is that there should be effective trade unions of employees and also, where there are a number of employers engaged in the same industry, effective organisations of employers. The Labour Department is not directly concerned with the carrying out of Government's policy of organising the growth of trade unions, for this is the work of the Trade Union Adviser's Department, which is directly responsible, as is the Labour Department, to the Minister for Labour. There has been considerable trade union expansion and activity, in which the Chinese have begun to take a more active part. This expansion and activity has been due to a number of causes: the improved price of rubber leading to increased prosperity; the political activity resulting from elections and party rivalry; the imminence of self Government; the labour unrest in Singapore and the influence of labour leaders in that Colony on the Federation; the lessening of the emergency; and improving standards of living. There has been no similar expansion in the organisation of employers. The Planting Industry

has its Malayan Planting Industries Employers' Association covering almost all the large estates, while the Mining Industry has its Malayan Mining Employers' Association. But the employers in the other industries are still disunited, and many still think that they can obtain lasting benefit from the labour troubles of their competitors.

Once unions of employees and, where necessary, of employers have been formed, the next step, which is largely a matter for the Trade Union Adviser's Department, is the setting up of industrial relations machinery. Industrial relations machinery is in the main of two types, consultative committees and negotiating committees. Both are based on the premise that the correct way to deal with problems of industrial relations is to get the two parties round a table and let them endeavour, by discussion, to reach agreement. In Britain, negotiating committees came first. In these the two parties sit opposite to each other, and most of the agenda is taken up by one party asking the other party for some concession, and with the argument arising from this request (or demand). In consultation, however, there are, ideally, no parties, and the representatives of the workers and the representatives of the employers sit round a table, sitting alternately, and consult together to consider how both sides can benefit, and how the industry or the workshop can be improved. Often, however, the distinction between consultation and negotiation is not clearly defined. In Malaya,

except in the Rubber Industry, the accent has been largely on negotiation, but the fact that employers are so disorganised has meant that in most cases negotiation has had to take place on the factory or workshop level and not on a district or national level. There has been a considerable expansion of "works committees", and these committees are teaching employers and workers the principles of joint negotiation round a table. But the disorganisation of the employers—a disorganisation which the unions can hardly be blamed for fostering—has made it impossible to develop additional machinery on the national level.

Even when proper industrial relations machinery has been set up within industry, it is still inevitable that disputes will occur which cannot be settled by the machinery available. In such cases Government officers, with the agreement of the parties, intervene as conciliators, often with considerable success. In accordance with the British model, there is no provision for compulsory arbitration, but there is a standing Industrial Court, with tripartite membership, to which disputes can be referred, if both sides agree; and the idea of referring disputes to arbitration is recognised even if the system is seldom used. If a dispute cannot be settled by all these means, the ultimate resort is the strike weapon; and the law on strikes and the rights of trade unions in trade disputes, including the law on picketing, is based very closely on the British model, the only real difference being that strikes and lock-outs in breach of contract in public utility services are illegal unless 14 days prior notice has been given.

Malaya's largest industry is the planning industry. The system of industrial relations established in that industry is a model for other industries. There is a single union for the workers whose membership was approaching 80,000 persons, and a single united organisation of employers covering nearly 900 of the bigger estates. At national level a Joint Consultative Council for the Plantation Industries has been formed, representing the Malayan Planting Industries Employers' Association, the National Union of Plantation Workers and the Federation of All Estates Staff Unions, and meetings have been held at which matters affecting the well being of the industry as a whole have been discussed with obvious benefit to everyone. Negotiation at national level has been carried on by direct negotiation between the union concerned and the employers' association, and although no formal written constitution governing the method of negotiation has yet been entered into, the negotiations have worked well, and a new wage structure, as previously based on the price of rubber, has been entered into freely between the two main parties. The advance in the industry, from the industrial relations aspect, is astonishing; and no less astonishing is the complete change of attitude to the trade union which has taken place among the most conservative of the managers and the directors of their companies. Considerable skill by all concerned will be required to maintain the present position; a position which has brought great benefits to both sides.

Malaya's next most important industry, the tin industry, is in complete contrast to the rubber industry. The industry is divided into the dredging side of the industry and in what is commonly called the Chinese side, although not all the employers are Chinese. In the latter, the majority of mines are opencast mines, usually small, and often with only a short life. In those mines where wages are still paid under the old system, the labour gangs who work the mines are satisfied with the return that they get from their work, and there is considerable sense of partnership between employer and employee. In the balance, and it is a growing part, the employees work on the "pok chau" system whereby the gang agrees with the lessee to work the mine and receives a certain percentage of the tin won. In neither

case is there fertile ground for trade unionism to flourish. The dredging side of the industry consists of what are, in fact, a number of highly organised, expensively equipped, floating factories for the production of tin, and these employ labourers of a higher order of skill than will be found on estates or in many other employments. In theory trade unionism should flourish, and the industry should give a lead to other industries in the development of industrial relations machinery, particularly as the employers are well organised and generally progressive. The union has not been able to consolidate its position, in part due to the reluctance of the Chinese to take part in union activities, in part perhaps because the employers have tended to forestall demands by giving concessions before the demands are made. The Union showed signs of increasing influence, of increasing Chinese participation and improved Chinese leadership, and negotiations again started, in a reasonable friendly atmosphere, for the setting up of a Joint Industrial Council and for the settlement of a number of outstanding grievances. What is still so lacking in the industry is an understanding of the point of view of the other side, and press releases and abusive statements do nothing to remedy this.

In other industries increasing trade union activity has not led to an increase in the setting up of industrial relations machinery at the national level. The growing National Union of Factory and General Workers continued its policy, often an effective policy, of putting demands to individual employers, usually backed with threat of a strike if the demands are not immediately conceded. In some cases this policy has tended to break up the works committees which have been built up, with union membership, in the place of employment. Until the factory employers get together and not only form an association but give loyalty to that association, industrial relations machinery at national level is an impossibility, and it is inevitable that disputes will continue and that some of these will develop into strikes.

Although at national level there has been little development outside the Planting Industries, there has been considerable development of works committees at factory level. Whereas two years ago such works committees were rare, now they are common and the visitor expects to find such a committee in any of the larger factories. He will also find them now on many estates and mines. These committees form a useful function in training both sides in the art of negotiation round a table; they provide a safety valve for the relief of pent-up grievances; they enable the management and their employees to get to know and respect each other; and they help to train future trade union leaders.

Another satisfactory development has been the increasing activity of the unions "on the ground". So many of the disputes which arise on estates are not the result of trade union activity but are due to some local trouble such as dislike of a foreman, some petty dispute over pay rates, friction with special constables or even a bad tempered manager. Previously these disputes have been settled by the Labour Department officers who have visited the estate, discovered what are the open grievances and, more important, what is behind the whole trouble, and have obtained some compromise settlement. Now the union has begun to deal with these matters itself, and it is the policy of the Government where possible to insist either that the union should go first and try to obtain a settlement or, at least, that the union officials should accompany the officer of the Labour Department. This system is working well.

The Malayan Trade Union Council has continued to develop, has increased its influence on the trade union movement, and has continued to act as spokesman of the movement. Attempts to set up rival organisations have met with no success. Industrial disputes are considered as

SOCIOLOGICAL CONDITIONS IN MALAYA

The population of the Federation of Malaya on June 30th, 1955, was estimated to be:

Malaysians	2,967,233
Chinese	2,286,883
Indians	713,810
Others	90,391
Total	6,658,317

(Persons domiciled in the Federation are collectively known as Malaysians, whatever their race).

In the sense that the population is not being increased by immigration or decreased by emigration, the Federation has a stable population; and trade and industry look to the natural expansion of this population for their future supply of labour, and not, as previously, to China, India and Indonesia. In some countries it is still necessary to bring in migrant labour to work on estates, or in mines and factories, but this is quite unnecessary now in Malaya as the wage earning population is a stable one, sufficient for the needs of the country. In the East a larger proportion of the working population is self-employed than is usual in Western countries, and in Malaya the self-employed workers are about equal in number to the wage earners, each group consisting of rather more than a million persons. Most of the self-employed work in the padi fields on their own smallholdings, while others grow vegetables or tobacco or rubber, or carry on small businesses, such as food hawking. Unlike many other countries Malaya has no real seasons except on the East Coast, and, with few exceptions, has no seasonal industries other than padi planting. The padi industry is an industry of smallholders and the number of wage earners is negligible. Even at harvest time, which occurs in different areas at different times, although there is some movement from one area to another, those who help others with their harvesting are usually padi planters themselves and often receive padi rather than money in payment for their services. In the industries which employ labour on wages, work goes on all round the year. The rubber tree may have a wintering season when the output declines somewhat, but the latex flows on every day of the year and there is work (unless it rains too hard) on every day of the year. The same is true of the coconut, palm oil and tea estates, and, thanks to the introduction of better plants, it is becoming true of the pineapple industry. So also in the tin industry, tin can be mined all the year round. The only area in fact where there is seasonal employment is on the East Coast, where the rainfall may be too heavy for outdoor work for as long as two months of the year. However, the number of persons employed on the East Coast is small, so it may be said that not only has Malaya a stable labour force, but that this labour force has steady work available for it throughout the year. In consequence, there

headline news by all sections of the press, and it often happens that the first an employer knows of a dispute is when he reads in his morning newspaper headlines announcing that a strike in his factory or place of employment is imminent. Settlement of disputes is often rendered more difficult by this blare of publicity, including as it inevitably must, statements, often by both sides, which make it difficult to create a conciliatory atmosphere. The newspaper publicity would be less harmful to the spread of calm discussion of matters in dispute if the same publicity could be given to the successful settlement of disputes as is given to the failures.

tends to be a fairly clearly defined distinction between wage earners and self-employed workers. A man is not self-employed for part of the year and a wage earner for the rest of the year, as happens, for example, in some African territories; on the contrary most are wage earners all the time or self-employed all the time. There is, however, an exception to this rule in that there are some who are wage earners when wages are high and self-employed when wages are low. These marginal wage earners provide an increased labour force when the price of rubber or tin goes up, and a cushion against unemployment when it goes down.

The great majority of labourers still work away from the towns, many of them in the depths of the country. Labourers who work on estates live on the estate itself, or in villages in the neighbourhood, and the same applies to mining labourers. While the problem of the town labourer is still a very small one, labourers who live on estates or on mines, in tied cottages provided by their employers, present a political and social problem a solution to which is difficult to see. Economically the arrangement suits both parties, for the employer has his labour force on his place of employment, while the worker obtains many amenities from the employer: thus, he has steady employment, does not have to waste time and money travelling to and from work, his health is well looked after, and education is often provided for his children. But from other points of view the system is less satisfactory. The labourer, especially when the labour force is composed entirely of one race, tends to become a citizen of the estate and not a citizen of the State. He lives in a community which tends to follow the pattern of the homeland of his fathers rather than in a Malayan community, and the task of fitting him into the Malayan nation is therefore made more difficult. His well-being is too much dependent on the estate, for if he loses his job, or leaves to seek better terms, he forfeits his house and the amenities that go with it and perhaps the free education of his children.

Most of the Indian labourers work on estates or for Government, and the remarks in the preceding paragraph apply particularly to them. They are wage earners, and have no other source of income except, in some cases, a small income derived from a few head of cattle. A man who starts his life as a labourer tends to remain a labourer all his life, and only a few become self-employed or seek other ways of earning their livelihood. Thus, while the Indian labourer gains such material advantage from the free housing, free medical attention, free schooling and all the other amenities which he expects to obtain from the employer, he is nonetheless a landless man without a real stake in the country, and without any real part in the community life which is developing so quickly around him.

The Chinese labourer is less tied to his place of employment, but is becoming less mobile than he was some years ago. He is no longer usually a bachelor who can fold up his few belongings and travel to the other side of the country in search of better employment. More usually now he has a house and a family; furthermore his house is located within a village, and he has become, perhaps at first reluctantly, a member of a village community. It is not easy for him to move his house to another village, and once his children are at the village school he has another reason for not moving. In consequence many Chinese now find employment in the neighbourhood of their village and travel daily to work on nearby estates and mines. But there are many who leave their wives in the village and themselves live in bachelor accommodation on a mine or

REPORTS FROM BANGKOK

Deepsea Fishing

The Government drafted legislation to permit foreign participation in coastal and deepsea fishing in Thai territorial waters. The present fishery laws are considered out-of-date. Other countries, including Australia, the Philippines, India, Ceylon, Burma etc. have modernized fishery laws for greater and improved exploitation of fishery resources. Thailand has not the capital nor the experience to exploit its deepsea fishing resources, which as a consequence have been neglected in the past. The proposed legislation will provide fishing rights for Thai nationals or companies with 70 percent Thai capital or foreign concerns specially approved by the Thai Government, and which are ready to set up offices in Bangkok and register themselves under Thai law. The bill provides for fishboat crews to be of Thai nationality except for foreign crew members limited to a number to be set in a ministerial regulation. A foreign fishing tutor aboard a ship is not to be counted as a member of the foreign section of the crew.

Lignite

The first consignment of Australia's promised £35,000 Colombo Plan aid for Thailand's Lignite Thermal Power Organization arrived in Bangkok. It consists of £909 of drilling equipment. In reply to an Australian offer to help the Lignite Organization under the Colombo Plan, the Thai authorities have asked for screening, crushing and drilling equipment valued at £A35,000. Australia has agreed to train lignite engineers and operators on the rich, well-developed lignite (brown coal) fields which supply Melbourne with most of its light and power. A mining engineer from the Thai Lignite Thermal Power Organization is in Australia.

small estate, often many miles away. But the existence of the pied-a-terre, the house in the village, makes the Chinese less willing than he used to be to go to more distant places. The fact that he now has a part to play in the community life of his village means that he is less cut off from the rest of the population than is the Indian labourer; and, unlike the Indian, the Chinese labourer has never experienced difficulty in finding ways of earning his living other than working as a labourer. Many of the Chinese employers are proud that they or their immediate forebears were labourers, and the distinction between Chinese labourers, hawkers, vegetable gardeners and even shop assistants is not clearly defined. While, therefore, the Chinese labourer is basically a wage earner, he is not necessarily permanently so.

The Malay labourer is different again. He almost always has a home in a village in a district where his family may have lived for several generations, and whereas he may go out and earn wages for long periods, few Malays are permanent wage earners. When prices are good or the monotony of wage earning palls, they like to return home to work their land or collect their produce.

It must not be thought from this that the three races work entirely separately; on the contrary many employers have a mixed labour force, particularly on dredges and in workshops and factories, and labourers of different races will be found working side by side. But it still remains true that the bulk of the skilled work is done by the Chinese, and that the Chinese usually earns higher wages than labourers of other races. This is particularly true when the Chinese is given piece work.

Two Thai drillers are also working on the Australian lignite fields.

Krupp

Krupp of Germany is sending to Thailand a team to make a detailed search for iron ore, manganese, fuel mineral deposits and other raw materials with a view to establishment of a steel factory for the Metal Industrial Plants Department, Ministry of Industry. 4,600,000 baht is being earmarked for work of the group. The group includes three geologists, two mining engineers, two planning engineers, one physicist, and one or two project engineers. The group will explore iron ore deposits in Loey, Kanburi, Satul, Kakorn Srithammaraj and Surasthani and coal deposits in Krabi and Surasthani. Of the 4.6 million baht a total of 2,352,000 baht will go in payment to Krupp for making the survey (the payment is to be in US dollars, the amount being approximately \$112,000).

Yarnhee Loan

The World Bank is considering a 900 million baht loan for the Yarnhee hydro-electric project. In addition to the World Bank loan the Government will invest 500 million baht from budgetary allotments over a five-year period in the project, making the total project cost 1,400 million baht. This amount does not include 50 million baht already expended by the Government during the past four years for groundwork and other preparation, including building of roads to carry materials to the site of the dam. Two tunnels are now being bored, which will later become spillways. They are expected to cost an extra 40 million baht.

The hydro-electric dam being built at Khao Kio on the Ping river in Tak province will initially provide 140,000 kilowatts of power which will be supplied to 33 provinces ranging from Chiangmai in the north to Kanburi in the south and Choburi in the east. The plant will be capable of expansion to a capacity of 560,000 kilowatts. The Yarnhee hydro-electric dam operating in conjunction with the Chainart irrigation dam will prevent major floods. Chainart dam will also have a small hydro-electric plant of its own. Yarnhee dam will also assist in irrigation of farmlands.

Bangkok Port

The International Bank for Reconstruction and Development (World Bank) has granted in principle a loan of 3,400,000 baht for further improvements to the Port of Bangkok (Klong Toey). The loan was granted on condition that the Port Authority is made an autonomous body. The legislative bill to effect this has been approved by the National Assembly. The World Bank is making the loan on a 15-year term at an annual interest of 4.75 percent. Most of the loan will be used to repay the Government for monetary advances to implement the improvement project. With these projects made possible by the new loan the port will be modernized, but it still will not yet be a first class international port.

The Port Authority has submitted plans for assistance by the International Cooperation Administration (ICA) of the United States, which will help bring up the Port of Thailand to a level comparable with the best international ports. The World Bank money is to be used for projects including purchase of a new dredger with a 2,000 cubic meters capacity for maintaining the depth of the channel, and of grabshells for dredging near the bank; purchase of other equipment, including cargo-handlers; and for various construction works. The Port Authority has requested ICA assistance for extending the wharf especially for export

cargoes; building of bulk-cargo and military-cargo sheds (this job is estimated to cost 144 million baht); dredging of a canal with access to the river, for anchorage of lighters, as well as building of a small 500-meter wharf, for 100 ton ships, along this canal (this project is estimated at 38 million baht); buying of still another dredger to prevent silting of the channel (this will cost about 35 million baht), a small dredger to keep the depth near the main wharf adequate for mooring of 10,000-ton ships (this is to cost 1.2 million dollars); purchase of three barges.

The Port Authority is also going to make a detailed river survey with concentration on silting problems. This survey is to be conducted jointly by Messrs. Rendel, Palmer and Tritton (field test), an English firm, and Messrs. Sogreah (model test), a French firm. They asked for 30 million baht but the Port Authority is trying to bring down the cost to 28 million baht. The survey project is to take four years.

The Port Authority is planning to buy one 1,000-horsepower tug which will be used together with a 550-horse-power and a 250-horsepower tug which the port already possesses.

US Assistance Projects

Thai and American officials outlined American assistance plans for major projects under a new plan calling for concentration of resources on major projects. Special attention is to be given to water-short northeastern provinces. Highways will be built and greater attention will be paid to the anti-malarial campaign. An electric power station to be fueled with lignite is to be built at a lignite site in Maemoh, Lampang, to provide electricity for northern provinces in-

cluding Lampang, Chiangmai, Lampoon and Chiangrai. There are enough lignite deposits in Maemoh to last 100 years (provided that the electric power station uses about 200,000 tons of lignite per year).

Besides tank irrigation it is planned to sink artesian wells. US experts will come to Thailand to study conditions in the Northeast with respect to drawing up an artesian well program. There is also a project to divert water from the Mekong River.

In six years of economic cooperation with the United States, Thailand has made great strides forward in agriculture, transportation, electric power, health, education and other fields. Since September 19, 1950, when the agreement for economic cooperation between the two nations was signed, US assistance to Thailand has amounted to \$99,919,000—approximately the equivalent of 2,000,000,000 baht. Of this amount, 4.7 million dollars have gone into providing foreign training (in the United States and elsewhere considered appropriate for the type of training sought) of about 1,031 officials; 7.7 million US dollars went to specific training projects in accordance with agreements, between US and Thai universities in the field of teaching; 74.9 million dollars went for cost of materials and equipment, including tractors, medical and educational supplies.

Thailand-German Cooperation

Thailand and the Federal Republic of Germany (West Germany) have approved a draft agreement on economic and technical cooperation. The agreement begins with the preamble that "moved by the desire to promote and enlarge to the greatest possible extent economic and technical cooperation between the two countries, the Government of the

HONGKONG STATISTICAL REPORTS

November 1956

Vital Statistics:		November	Total (Jan.-Nov.)	Hongkong Clearing House Figures:		
				September	October	November
Birth		9,502	87,277			
Death		1,427	17,668	\$1,209,862,358	\$1,234,518,186	\$1,301,773,006
Retail Price Indices:		Nov. 1956	Nov. 1955	Banknotes in Circulation:		
		(March 1947: 100)				November
Food (including drink)		132	119	The Hongkong & Shanghai Banking Corporation		\$675,742,000
Rent		119	119	The Chartered Bank		51,246,350
Clothing (including footwear)		87	91	The Mercantile Bank of India Ltd.		4,284,200
Fuel		100	92	Total		\$731,272,550
Electric Light		59	60	Production of Electricity and Gas:		
Cleaning		94	90			November Total (Jan.-Nov.)
Education		140	140	Electricity (kw hrs)	53,439,177	595,826,901
Tobacco and Cigarettes		113	113	Gas (cubic feet)	52,836,500	550,981,600
Doctors and Medicines		106	105	Food Supply:		
Fares		100	100			November Total (Jan.-Nov.)
Household Equipment		110	111	Animals Slaughtered (head)	47,017	736,172
Hair Dressing		122	122	Fish Marketed (tons)	3,802	36,557
Newspapers and Stationery		153	153	Vegetables Marketed (tons)	7,755	71,310
Shoe Repairs		78	78	Cement Production:		
Rates		100	100			November Total (Jan.-Nov.)
General Retail Price Index		122	114	Cement (metric tons)	6,698	111,984
Kingdom of Thailand and the Government of the Federal Republic of Germany, on the basis of Treaty of Friendship, Commerce and Navigation of December 30, 1937, have thoroughly explored the entire field of economic and technical cooperation between the two countries." The agreement provides that the Thai and German Governments "shall mutually support each other with respect to the application and the exchange of scientific and technical experiences in the utilization of their respective raw material resources, in order to contribute to the fullest possible extent to the development of the economic capacity of the country in possession of such raw materials." It also provides for the two governments to "conduct such mutual support for specific programs and projects by means of special arrangements." "Either government shall keep the other Government informed on those development projects in which it may be desirable to utilize the experiences of the other Government." The German Government, on request of the Thai Government, "is prepared to use its good offices as far as possible so that German enterprises and individuals made their experiences and resources available to the interested Thai enterprises and individuals." The two governments "agree to provide for the technical and practical training of nationals of either country as well as the exchange of training and working plans for such training"; and to this end, the German government "will endeavor to arrange for scholarships and observation courses in German educational institutions and German industry."				Registration of Factories:		
						November Total (Jan.-Nov.)
				Applications Received	30	488
				Cancelled and (Refused)	20	187 (12)
				Certificates Issued	46	452
				Building Constructions in November:		
						Number Cost in HK\$
						Building Site Work
				City of Victoria—		
				Factories and Godowns	1	30,000 —
				Offices and Shops	1	8,545 —
				Houses and Flats	17	2,150,352 90,640
				Other (including mixed accommodation)	5	644,170 —
				Island outside Victoria—		
				Factories and Godowns	1	6,939 657
				Offices and Shops	1	4,900 —
				Houses and Flats	28	5,592,900 578,787
				Other (including mixed accommodation)	3	423,250 77,400
				Kowloon and New Kowloon—		
				Factories and Godowns	8	454,891 37,400
				Houses and Flats	77	4,503,262 74,825
				Other (including mixed accommodation)	4	670,874 38,000
				Total (November, 1956)	146	14,490,083 897,709

The Thai Government "is prepared" at the request of the German Government, "to use its good offices with the Thai entities concerned in order to give nationals of the Federal Republic of Germany the opportunity of practical and technical training within the territory of Thailand." The agreement provides for setting up of a joint committee which will meet from time to time to further the aims of the agreement. The agreement is to be in force for ten years, after which it will remain in force "until it will be terminated by one of the two governments upon six months' notice in writing."

Kowloon-Canton Railway

(British Section):

Passengers:	November	Total (Jan.-Nov.)
Upward	207,808	2,080,380
Downward	201,051	2,053,516
Concession Tickets	13,626	164,489

Freight:

Upward	1,406,310 kgs	17,493,300 kgs
Downward	20,290,320 kgs	174,031,480 kgs

Number of Vehicles and Drivers Licensed:

Vehicles:	In November	Total on Nov. 30
Trams	—	138
Motor Cycles	23	1,766
Private Cars	344	19,421
Taxis	6	344
Public Hire Cars	6	283
Motor Buses	8	637
Public Commercial Lorries	8	1,394
Private Commercial Lorries	38	2,025
Government Cars & Lorries	26	855
Lorries (Kai Tak Airport Devel.)	6	82
Lorries (Construction Site)	3	298
Rickshaws (Private)	—	24
(Public)	—	853
Public Chairs	—	6
Tricycles (Goods)	—	791
Trailers	—	8
Drivers:		
Motor Car Drivers	1,164	60,644
Const. Site Drivers	22	412
Driving Instructors	49	461
Rickshaw & Tricycle Drivers	35	3,738

SHIPPING**FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES
UNDER 60 TONS**

	November		Total (Jan.-Nov.)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks ...	99,839	10,108	866,963	81,463
Tonnage of Cargo: Launches ..	6,608	1,190	44,863	14,726
Total	106,447	11,298	911,826	96,189
Tonnage of Vessels: Junks ..	98,557	102,513	1,044,592	1,045,304
Tonnage of Vessels: Launches ..	10,767	10,966	98,077	98,079
Total	109,314	113,479	1,142,669	1,143,383

COMMERCIAL CARGO TONNAGES

	November		Total (Jan.-Nov.)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons)	244,350	146,396	3,202,984	1,618,609
River Steamers (tons)	1,654	2,337	11,631	16,096
Total (tons)	246,004	148,733	3,214,615	1,634,704

AVIATION**Arrivals and Departures of Aircraft,
Passengers and Freight at Kai Tak**

	November	Total (Jan.-Nov.)
Aircraft:		
Arrivals	334	3,404
Departures	333	3,402
Total	667	6,806
Passengers:		
Arrivals	8,792	77,605
Departures	9,523	85,263
Total	18,315	162,868
Freight:		
Imports (kilogrammes) ..	64,397	665,092
Exports (kilogrammes) ..	249,818	1,956,649
Total	314,215	2,621,741

HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

	Imports				Exports			
	November		Total (Jan.-Nov.)		November		Total (Jan.-Nov.)	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma	2,752,388	.71	33,171,284	.79	3,003,083	1.13	24,201,583	.83
Ceylon	301,325	.08	3,607,069	.09	1,244,928	.47	13,882,639	.48
Cambodia, Laos & Vietnam	7,502,160	1.94	61,041,832	1.46	7,495,429	2.82	128,707,748	4.42
India	2,297,993	.59	47,490,595	1.14	1,847,292	.69	19,817,431	.68
Pakistan	4,535,618	1.17	94,270,874	2.26	282,303	.11	4,906,832	.17
Malaya	7,968,144	2.06	142,420,475	3.41	29,324,138	11.03	334,022,112	11.47
Philippines	3,451,973	.89	32,912,196	.79	5,203,021	1.96	43,384,624	1.49
Thailand	11,394,677	2.95	170,485,710	4.08	26,733,388	10.06	298,018,742	10.23
Indonesia	10,464,235	2.71	51,588,299	1.23	18,711,758	7.04	459,229,578	15.76
China	91,452,110	23.65	932,058,613	22.31	14,953,446	5.63	118,756,017	4.08
Formosa	2,704,269	.70	45,539,427	1.09	3,603,290	1.35	42,602,162	1.46
South Korea	124,590	.03	11,735,023	.28	11,212,216	4.22	116,995,256	4.02
Total Trade of Hongkong	386,637,622	100	4,177,556,935	100	265,737,607	100	2,912,961,070	100

FINANCE & COMMERCE

HONGKONG EXCHANGE
MARKETS

Feb.	U.S.\$		Notes	
	T.T. High	T.T. Low	Notes High	Notes Low
11	\$613½	612½	610½	609½
12	613½	613	611½	610½
13	616½	614	613½	611½
14	617	616½	614½	612½
15	617	616	614½	613
16	617	616½	614½	613½

D.D. rates: High 615½ Low 610½.

Trading totals: T.T. US\$3,930,000; Notes cash US\$575,000, forward US\$2,510,000; D.D. US\$460,000. The market was steady on lower cross rates in New York. In the T.T. sector, the market was very active with strong demand from gold and metal importers. In the Notes market, speculators were not keen but shippers were eager. Inter-ester favoured sellers and amounted to HK\$1.05 per US\$1,000. Positions taken by speculators averaged US\$2½ million per day. In the D.D. sector, the market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.81—1.80, Japan 0.014775—0.01465, Malaya 1.882—1.879, Vietnam 0.0595, Laos 0.06, Cambodia 0.08, Thailand 0.2832—0.2808. Sales: Pesos 370,000, Yen 142 million, Malayan \$320,000, Vietnam Piastre 11 million, Kip 6 million, Rial 5 million, and Baht 3 million.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK\$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.818—5.735, Canada 6.0606—5.9701, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.3278, Belgium 0.11655, West Germany 1.384.

Chinese Exchange: People's Yuan notes quoted HK\$1.66—1.56 per Yuan. Taiwan Dollar notes quoted HK\$171—169 per thousand, and remittances 153—151.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.19—16.16, Australia 12.65, New Zealand 14.71—14.68, South Africa 16.12—16.07, India 1.188—1.186, Pakistan 0.89, Malaya 1.845—1.842, Canada 6.38—6.33, Philippines 1.935—1.90, France 0.015—0.01485, Vietnam 0.0685—0.0675, Laos 0.061—0.059, Cambodia 0.079—0.078, Indonesia 0.184—0.1825, Thailand 0.285—0.276, Macau 0.995, Japan 0.01525—0.015125.

GOLD MARKET

Feb.	High .945	Low .945	Macau .99
11	\$266½	266½	Low 276½
12	266½	266½	
13	268	266½	
14	268½	267½	
15	268½	267½	
16	268½	267½	High 278

The opening and closing prices were 266½ and 268, and the highest and lowest 268½ and 266½. The market followed the steady trend of US\$. Local stock decreased under better export demand and interest for change over favoured sellers and netted 20 HK cents per 10 taels of .945 fine. Tradings averaged 7,200 taels per day and amounted to 43,200 taels for the week; 16,570 taels were cash tradings (3,670 taels listed and 12,900 taels arranged). Imports were all from Macau and amounted to 9,500 taels. One shipment of 35,200 fine ounces reached Macau. Exports totalled 14,000 taels (7,500 taels to Singapore, 5,000 taels to Indonesia, and 1,500 taels to Rangoon). Differences paid for local and Macau .99 fine were HK\$13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US\$37.72—37.70 per fine ounce, and 24,000 fine ounces were contracted at 37.70 C.I.F. Macau. US double eagle old and new coins quoted HK\$283 and \$262 respectively per coin; English Sovereigns \$59 per coin; Mexican gold coins \$288 per coin.

Silver Market: 400 taels of bar silver traded at HK\$5.95—5.90 per tael; 500 dollar coins at HK\$3.85—3.80 per coin. Twenty-cent coins quoted HK\$2.95—2.92 per five coins.

HONGKONG SHARE
MARKET

After the dividend announcement, Telephones attracted very strong demand last week; 54,000 shares changed hands and prices reached 25.70 for old shares and 24.80 for new issues. Amal. Rubbers registered heavy sales at 1.525 and 1.55; the interim of 8 cents per share is slightly lower than the .10 cents for the previous year. Other shares which enjoyed steady demand after the announcement of dividends included Lands, Trams, Electrics, Cements and Watsons. Banks recovered \$20 during the week but still a long way from the highest this year at 1875 on January 9. Wharves, Docks and Providents followed the bullish trend of the previous week and registered further gains. Buying interests were also centred on Wheelocks, Realities, Hotels, Yaumatis, Lights, Dairies and Nanyangs. The turnover last week totalled \$5.92 million—a record figure since last August. The improvement in the volume of business could also be attributed to the fact that several banks had eased restrictions on overdrafts and loans against local shares and lowered interest rates by 1%.

Monday: The market opened on a cheerful note and the turnover amounted to \$1,815,000. Telephones were marked up sharply in early dealings with a fair quantity of shares changing hands at \$25.70, a rise of \$1 from Friday's closing. Light scale profit-taking however caused these shares to lose some of their initial gains but renewed support in the afternoon session lifted

Share	Feb. 8	Last Week's Rate			Up & Down	Dividend	Annual Return (%)
		Highest	Lowest	Closing			
HK Bank	1605	1625	1605	1625	+\$20	\$30	4.92
Union Ins.	950	952.50 s	947.50	947.50	—\$2.50	\$34	3.69
Lombard	38 n	38 s	37 b	37.50	steady	\$2	5.33
Wheelock	6.80	6.80	6.70	6.80	steady	75¢	11.08
HK Wharf	98	102	97.50 b	101	+\$3	\$4	3.96
HK Dock	45.50	46.50	45.50	46.25 b	+\$7½	\$2	4.32
Provident	13.30	13.50	13.30	13.40	+\$10¢	\$1	7.46
HK Land	61.50	66	61.50	64	+\$2.50	\$3.50	5.47
Realty	1.40 b	1.425	1.40	1.425	+\$2¼¢	15¢	10.53
Hotel	15.20	15.30	15.20	15.30 s	+\$10¢	\$1	6.54
Tram	23.40	23.50	23.30	23.50	+\$10¢	\$1.85	7.72
Star Ferry	144 n	144	142 b	144 s	steady	\$9	6.25
Yaumati	104	106	104	106	+\$2	\$7.50	7.08
Light	23.10	23.20	22.80	23.10	steady	\$1.10	4.76
Electric	31.25	31.50	31	31.25	steady	\$2.70	8.64
Telephone (o)	24.50 b	25.70	25.30	25.60	+\$1.10	\$1.50	5.86
Cement	38.50	38.50	38.25	38.25	—25¢	\$2.50	6.54
Dairy Farm	16	16	15.80	15.80	—20¢	\$1.63	10.32
Watson	13.80 s	14.20	13.60	14	+\$20¢	\$1	7.14
Yangtze	6.10 n	6	5.90	5.90	—10¢	70¢	11.86
Allied Inv.	4.85 n	—	—	4.85 n	dull	25¢	5.15
HK & FE Inv.	9.75 b	9.80	9.70 b	9.70 b	—5¢	75¢	7.73
Amal. Rubber	1.525	XD 1.60	1.525	XD 1.60	+\$5¼¢	\$0¢	18.99
Textile	4.675	4.75 s	4.60 b	4.675 n	steady	50¢	10.69
Nanyang	8.45 b	8.55	8.40	8.40 s	—5¢	\$0¢	9.52

them above the day's low. Amalgamateds, Wheellocks, Docks and Nan-yangs were well supported. **Tuesday:** The market ruled steady; price changes were insignificant with the exception of Wharves which further advanced to \$101. The turnover amounted to \$912,000. **Wednesday:** The market was moderately active with China Lights and Lands constituting the bulk of the turnover which amounted to \$690,000. **Thursday:** Although business was on a moderate scale, prices were inclined to harden with H.K. Banks, Wharves, Docks, Lands and Trams tacking on small gains. The turnover amounted to \$770,000. **Friday:** The market closed buoyant. Utilities were the most active section and edged fractionally higher. H.K. Banks forged ahead with an apparent scarcity of scrip. The turnover amounted to \$1,734,000.

A. R. Burkill & Sons (Hongkong) Ltd., the General Managers of Amalgamated Rubber Estates Limited, announced that the output from the Estates for January 1957 amounted to 657,301 lbs.

DIVIDENDS

A. S. Watson & Co. Ltd. announced a dividend of \$1 per share on 600,000 shares for the year ended October 31, 1956.

The Green Island Cement Co., Ltd. announced a dividend of \$4 per share for the year 1956.

The Hongkong Electric Co., Ltd. announced a final dividend of 90 cents per share on 5,000,000 \$10 shares.

The Hongkong Tramways Limited announced a final dividend of \$1.10 per share for the year 1956.

The Humphreys Estate and Finance Co., Ltd. announced a dividend of \$1.40 per share.

The Vibro Piling Co., Ltd. announced a dividend of \$1 per share and a bonus of \$1 per share.

SINGAPORE SHARE MARKET

The week following the Chinese New Year holidays opened on a very steady note and the Industrial section in particular experienced a heavy turn-over. Tin shares also were well-supported. The price of Rubber proved very erratic and uncertain, declining from 93½ cents locally to 86½ cents; though there was a partial recovery at the close at 88½ (March), little interest was evinced in rubber shares.

The demand for local short-dated Loans at quotations remained good.

Consolidated Tin Smelters Ord. continued to improve and were dealt in @ 31/94. Fraser & Neave Prefs. came to business @ \$4.00 and the Ordinaries had extensive sales ranging between \$2.25 and \$2.28. Federal Dispensary again made \$2.20 and Gammon \$2.10. W. Hammer on the publication of an improved final distribution advanced rapidly from \$1.82½ to \$1.87½ c.d. c.b., and Hume Industries on the intimation by the Secretary that consideration was being given to the possible issue of bonus shares, rose sharply with sales from A6/7½ to A7/3, closing with buyers over. Henry Waugh changed hands from \$1.65 to \$1.70 and Hongkong Banks, Colonial, at prices ranging from \$870.00 c.d. to \$865 c.d., Malayan Breweries at \$2.90 and Malayan Cement from \$1.65 to \$1.70. Malayan Collieries were an active counter and had numerous dealings from \$1.04 up to \$1.07, closing @ \$1.04 to \$1.08. Metal Box declined, with sales, from \$1.62½ to \$1.58, but later improved to \$1.60. McAlisters changed hands at \$2.95 c.d., Oriental Telephone @ 73/6 and Singapore Cold Storage @ \$1.60. Sime Darby hardened from \$2.13 to \$2.18 being wanted further at \$2.19. Singapore Traction Ord. gained 3/6 at 25/6 bid, and Straits Steamship were firmer with sales from \$16.00 to \$16.30. Straits Times came to business @ \$3.10 and \$3.07½ and Straits Traders at \$26.70. United Engineers Ord., improved from \$9.40 to \$9.90, whilst Wearne Bros. changed hands @ \$2.85 to \$2.87½, and Wm. Jacks @ \$3.17½ c.d. and \$3.15 c.d.

Ampat came to business at 10/4½ to 10/6, but Aokam were offered @ \$1.78.

Austral Amalgamated and Austral Malay had extensive sales between 21/- to 21/3 c.d. and 46/- to 46/3 c.d. respectively. Ayer Hitam registered an improvement with transactions from 25/7½ to 26/-, also Berjuntai @ 26/1½. Batu Selangor were dealt in @ 66 cents, Hong Fatt from \$1.07 to \$1.09, and Hongkong Tin from 8/9 to 8/11½. Kampong Lanjut were taken at 40/9 to 40/6, Kepong at 5/9 to 5/9½ c.c.r., and Kuala Kampar at 38/4½. A large volume of business was written in Lower Perak round 17/3 to 17/4½, Malayan Tin at 15/3 to 15/1½ x.d., and Meru Tin from 2/7 to 2/3 to 2/7½. Petaling after dealings at \$3.30 recovered to \$3.40, but Pungah declined with sales from 9/9 to 9/4½ c.d. Rahman Hydraulic saw business at \$1.01 and \$1.02, Rantau between \$1.77½ and \$1.79, Rawang Tin from 10/- to 9/10½ x.c.r., Sungei Kinta at 19/7½ and Sungei Bidor at 6/10½. Sungei Way were marketed between \$1.50 and \$1.53½ x.c.i. Heavy sales were recorded in Tongkah Harbour from 13/6 to 14/1½, shares closing on offer at 14/-.

BUSINESS DONE (30th January to 8th February, 1957).

Industrial. Consol. Tin Smelters Ords. 31/94½. Fraser & Neave 7% Cum. Pref. \$4.00, Fraser & Neave Ords. \$2.25 to \$2.27½ to \$2.28, Federal Dispensary \$2.20, Gammons \$2.10, Hammer & Co. \$1.82½ to \$1.87½ cdb. Hume Industries (F.E.) Ltd. 6/7½ & 7/3, William Jacks \$3.17½ & \$3.15 c.d., Malaya Publishing House (New Issue) \$1.20, Malayan Breweries \$2.90, Malayan Cement \$1.65 to \$1.70, Malayan Collieries \$1.04 to \$1.07, Metal Box \$1.62½ to \$1.58 to \$1.60, McAlisters \$2.95, Oriental Telephone 73/6, Sime Darby \$2.13 to \$2.15 to \$2.18, Singapore Cold Storage \$1.60, Straits Times \$3.10 & \$3.07½, Straits Traders \$26.70, Straits Steamships \$16.00 to \$16.25 to \$16.30, Unitair \$9.40 to \$9.70 to \$9.90, Henry Waugh \$1.55 to \$1.70, Wearne Bros. \$2.85 to \$2.87½.

Tin. Batu Selangor 66 cents, Berjuntai 26/1½. Hong Fatt \$1.07 to \$1.09, Petaling \$3.30 to \$3.35 to \$3.40, Rahman Hyd. \$1.01 to \$1.02, Rantau \$1.77½ to \$1.78½ to \$1.79, Sungei Ways \$1.50 to \$1.53½, Taiping Consolidated \$1.55 to \$1.70, Austral Amal. 21/- to 21/3 c.d. Austral Malay 46/- to 46/3 c.d. Consol. Tin Dredging A.3/4½ to A.3/5 to 3/4, Kampong Lahjut 40/9 to 40/6, Kepong Dredg. 5/9 to 5/9½, Kuala Kampar 38/4½, Lower Perak 17/3 to 17/4½, Pungah 9/9 to 9/7½ c.d. Rawang Tin 10/- to 9/10½, Sungei Bidor 6/10½, Tongkah Harbour 13/6 to 13/10½ to 14/1½, Ampats. 10/4½ to 10/6, Ayer Hitam 25/7½ to 26/-, Hongkong Tin 8/9 to 8/11½, Malayan Tin 15/3, 15/1½, Meru 2/7 to 2/3 to 2/6 & 2/7½, Sungei Kinta 19/7½.

Rubber. Ayer Hitam \$1.12, Beradin 3/4½ to 3/4, Bruseh Rubber 1/6½, F.M.S. Rubber 21/9 to 22/-, Hamilton Rubber \$2.00, Glencahy \$2.02, Klung \$1.27½, Kundong \$3.10, Mentakab \$1.65, Merlimau Pegoh 1/9½, Scottish Malayan 1/10½, Sungei Timah 2/2, Sungei Kruit 3/5, Taiping 1/5 to 1/5½, Tapah \$2.45, Yam Seng Rubber 3/1½, United Sua Betong 48/0½ to 47/6½.

Overseas Investments: British. Associated Electrical Industries 69/3, Burmah Oil 88/6 & 88/10½, British Relay Wireless and Television 16/7½, British Motors 8/- & 7/10½, Consolidated Zinc 83/-, Daily Mirror 12/-, Havilland Holdings 20/-, Enfield Rolling Mills 32/-, Montagu Buryon 37/4½, Selection Trust 101/6, Swears & Wells "B" 8/-, United Steel 38/4½.

Australian. Allied Mills A.18/11 to A.19/-, Australia Paper Manufacturers A.24/10, B.H.P.

HONGKONG AND FAR EASTERN TRADE REPORTS

Trade with China: Over 1,000 tons of North China coal reached here last week via Canton. Ships from Dairen, Tsingtao and Tientsin brought here large quantities of fruits, vegetables, window glass, embroideries, chilli and joss sticks. Supply of beans, paper, carpets, live hogs and fresh eggs was still restricted to small consignments. From the local market, China enquired for steel plates and other popular items of metal when prices here were forced down slightly by selling pressure; however many transactions were pending towards week-end because dealers here were waiting for licences from China.

Traffic over the border at Shum Chun was heavy during the past two weeks because those who had gone to Canton during Chinese New Year holidays rushed back to their jobs in HK. They reported that Chinese Customs in Shum Chun had been very lenient with them and most people reaped good profit from the selling of watches, nylon stockings and other luxury items which they smuggled to Canton. This news encouraged a large number of amateur smugglers, mostly domestic servants, to quit their jobs and invest their savings in running the blockade.

Trade with Japan: Demand from Japan for scrap iron was retained but orders for China produce were limited to a selective number of items. Exports last week included over 1,000 tons of scrap iron and small quantities of beans, oilseeds and other staples. From Japan, dealers here booked various industrial chemicals, paper, textiles, but in the cases of paper and textiles, quantities involved were small because there were not enough offers from Japanese manufacturers. In Colombo, Japanese Prime Minister's personal representative who is making a goodwill tour in SE Asia, disclosed that Tokyo was contemplating legislative action which would facilitate Japanese investment in SE Asia.

Trade with UK and Europe: More than 25,000 tons of cargoes arrived from UK and Europe last week; metals constituted over 50% of the tonnage. Exports of China produce and HK manufactures were also substantial; 7,500 tons to UK and 3,000 tons to

Europe. New orders received last week from UK covered rubber footwear, shirts and cotton textiles. Demand from Europe for China produce, particularly from West Germany for egg products was keen but transactions were restricted by the lack of sufficient supply in the local market while forward cargoes from China were uncertain.

Trade with US: The amount mentioned in last week's report regarding Washington's ease of exports to HK should be "... \$25 worth of most non-strategic commodities to HK without individual export licences."; not \$25 m. Exports to US last week totalled about 2,500 tons and consisted chiefly of torch, rattanware, toys, enamelware and garments. HK shirts are attracting increasing number of orders from US and the trial order which reached here recently for locally manufactured cloth is encouraging factories here to produce more high quality cloth for exports.

Trade with Indonesia: With the approach of the Pusa Festival (April) in Indonesia, Djakarta importers sent here more enquiries for cotton textiles, metals, paper, chemicals, pharmaceuticals, hurricane lanterns, enamelware and other metal products. However with the exception of cotton textiles, purchases of other items were handicapped by the limited amount of foreign exchange granted by Djakarta for these imports from here.

Trade with Thailand: Imports of Thai rice remained heavy last week. Bangkok also shipped here about 600 head of live cattle and substantial quantities of maize, fresh duck eggs, and teak squares and logs. Exports of Chinese products and HK manufactures from here to Bangkok remained active; one vessel alone shipped out about 1,500 tons. Enquiries from Bangkok last week covered chiefly selective items of metals and paper but transactions were handicapped by high prices in the local market.

Trade with Korea: In addition to printing and packing paper, Seoul was also interested in machinery & equipment, sugar, pharmaceuticals and chemicals from the local market. Buying offers for paper of European and US origins were low because Seoul had received very competitive quotations from Japan.

Trade with Taiwan: 1,000 tons of sugar arrived from Taiwan last week together with 200 tons of tea, menthol crystals and other produce. Exports were chiefly European steel bars, plates, chemicals and pharmaceuticals.

Trade with Malaya: Strong demand from Singapore and other Malayan

ports for fruits and vegetables, herb medicines, knitwear, dried chilli and other staples was retained but purchases of cement from here slowed down on account of Singapore's direct imports of this item from China. According to pro-Communist merchants there, Peking had recently suggested to send a trade mission to Singapore and other Malayan commercial centres to study possibilities of improving trade relations.

Trade with the Philippines: To promote exports of HK products to the Philippines, the Chinese Manufacturers' Union here will send a trade mission to Manila next month. Enquiries from Manila last week covered cotton yarn and selective items of pharmaceuticals. To the local market, Manila shipped another 500 tons of sugar.

Trade with Cambodia, Laos and Vietnam: Imports of beans, sesame, maize, scrap iron and rice from Cambodia totalled 500 tons last week. Cambodia's purchases from the local market slowed down because prices here for metals and paper were mostly higher than buying offers. Laos sent here orders for canned food and sundries; shipments were mostly made via Thailand. Traders here were expecting more orders from Laos because authorities there had recently relaxed import restrictions and importers there found that purchases from Bangkok

A.42/1½, Containers A.23/-. Courtaulds (Aus.) A.19/10, Castlemaine Perkins 19/9½, Drug Houses of Australia A.31/-. Elder Smith A.25/9 Herald & Weekly Times A.23/4 & A.22/7, I.C.I. of Australia & New Zealand A.48/-. Grent Boulder (Aust. Reg.) stg. 12/10½, Mount Lyell A.30/-. Oil Search (Not Paid) A.5/10, Oil Search A.10/9.

Hongkong. Hongkong & Shanghai Bank (Col. Reg.) \$870.00 to \$865.00 cd.

South Africa. Consolidated Murchison (Cape Reg.) 49/3, Free State Geduld (Cape Reg.) 73/3, Orange Free State Investment Trust (Cape Reg.) 51/6, Dennistown 24/0½.

were much more expensive than direct dealings with HK exporters. Imports of bone meal, maize and other staples from South Vietnam totalled 400 tons; in return, HK shipped there 300 tons of pharmaceuticals, air conditioning units, sewing machines, and foodstuffs.

Trade with Pakistan and India: Imports of cotton yarn from Pakistan remained heavy. India sent here a consignment of gunny bags. Insignificant quantities of Chinese window glass and paper were shipped from here to India.

Trade with Burma: Rangoon continued to procure paper, wheat flour, cotton textiles, and other HK manufactures from here. Imports from Burma consisted chiefly of beans, cotton and rice.

Trade with Africa: According to new import regulations in Rhodesia and Nyasaland, HK products shipped there must have 25% material, work, or other acceptable content of HK origin (instead of the 25% combined Commonwealth content) in order to be qualified for preferential rates of duty. For items such as towels, towelling napkins, towelling in piece, piecegoods (woven, knitted, crocheted or felted), cutlery not gold or silver nor gold or silver plated, enamelware and metal hollowware, the single country content required is now 30%.

Trade with Australia: One vessel bought here from Australia 1,000 tons of dairy products, frozen meat, wheat and wheat flour, cow hide, wooltops and fruits.

China Produce: Demand from Japan for oilseeds, wheat bran and beans was steady but transactions were limited by short stock here. The market also registered enquiries from Europe and other sources for selective items. Cassia Lignea retained strong demand from India and Japan but stock shortage curtailed transactions in spot goods; India therefore absorbed April/May forwards and Japan favoured broken cassia. Groundnut kernel first eased under the pressure of the expected arrival; but later recovered when Japan traders absorbed this item. Dried chilli, too, was short in stock; demand from Singapore and Ceylon further stimulated prices to new high. Dried albumen, hen egg yolk and salted liquid hen egg yolk attracted keen enquiries from West Germany; negotiations were centred on forwards. Other popular items included aniseed star, sesame, maize, woodoil, groundnut oil, cassia oil, camphor tablets, menthol crystal, raw silk, bee wax and beans.

Metals: Over 15,000 tons of bars, plates and other popular items arrived from UK and Europe. Selling pressure forced galvanized iron pipe, round bars, steel plates to slightly lower levels.

China, Indonesia, Thailand and local speculators then displayed keen interests in these items; closing quotations at week-end were firm. The market also registered demand from Cambodia for corrugated G.I. sheets, from China for zinc sheets, from Thailand for G.I. wire, from Japan for scrap iron and from local factories for blackplate, waste waste, tinplate and steel wire rope. According to reports from Tokyo, in January authorities there issued licences for imports of 428,000 tons (US\$69.6 m) of steels before end of March 1957; only 2,442 tons were bought from HK. No licence has yet been issued for further purchases (Tokyo has earmarked foreign exchange for imports of 1.2 million tons of steel out of which 450,000 tons will be imported before end of March).

Paper: In addition to Korea, SE Asia, Taiwan and local consumers provided strong demand for various popular items. Prices were very firm because spot goods were short, supply from Japan and China curtailed and imports from Europe remained high. Dealers however booked aluminum foil, ribbed kraft, tissue, cellophane, glassine and newsprint from Europe in spite of the high cost to remedy the acute shortage here. Items which retained strong demand also included woodfree printing, sulphite and other packing paper, cigarette paper, duplex board and straw board.

Industrial Chemicals: The market was sluggish and registered only demand from Korea for sodium bicarbonate, sodium cyanide and tanning extract; from Taiwan for shellac, chrome alum and gum arabic; from Cambodia for caustic soda and chrome alum; from Thailand for calcium carbonate; and from Indonesia for caustic soda. Prices were steady on high replenishment cost.

Pharmaceuticals: There were more enquiries than orders from Korea, Taiwan and SE Asia covering penicillin preparations, dihydrostreptomycin, isoniazide tablets, sulfonamides, saccharine crystal, glucose powder, aspirin, phenacetin, quinine, PAS, caffeine alkaloid and vitamin powders. Transactions in most cases were restricted by the lack of spot goods in the local market because dealers here do not keep stocks for the uncertain export demand.

Cotton Yarn & Piece Goods: There was practically no spot offer for HK yarn and cloth because mills here now have enough orders on hand to keep their spindles and looms busy till July this year. Pakistan yarn was therefore stimulated to the level of HK products in spite of the heavy stock. Japanese yarn however remained quiet but prices were firm because stock was low and supply from Japan curtailed. Demand from Indonesia and Burma for grey cloth also centred on Chinese

and Japanese products which remained at high price levels.

Rice: Local demand improved but Thai rice failed to advance in spite of the marked-up indents for some qualities and grades; supply was abundant. Rice of Chinese, Cambodian, Vietnamese and Burmese origins remained steady.

Wheat Flour: Local demand was strong but exports to SE Asia were slow. US and Canadian flour recovered after the decline in the previous week. HK brands were firm.

Sugar: Heavy arrival from Taiwan and the Philippines depressed the prices for granulated sugar in the local market; Taikoo products were also marked down. Towards week-end strong demand from Korea stimulated brown sugar.

Cement: Japanese and HK products were very firm because demand from local contractors and SE Asia was very strong while supply from China was difficult to get. Reports from Peking disclosed that China had suspended all building projects except workers' quarters and schools because there were not enough cement and other building materials in China.

Fresh Eggs: Fresh hen eggs eased slightly from recent hikes after supplies from China were resumed. Dealers here also imported eggs from Thailand and Japan. Retail price came down to about 20c to 25c each.

Coal: Another 1,000 tons of North China coal reached here last week. Supply from Japan is difficult to get because gas and electric power industries there require so much coal that Tokyo has to import 400,000 tons before end of March from China (55,000 tons), Australia (30,000), India (10,000), and other countries to meet the domestic demand.

HK Products Exhibitions: Nearly 1,000 items of HK products will be shipped to US for exhibition at the first US World Trade Fair to be held from April 14 to 17. Selected items included hardwood and rattan furniture, silks and brocades, embroideries, garments, plastic products, jade, ivory and silver ware. HK products will also be displayed at the first Montreal International Trade Fair in May.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the fortnight ended January 12, 1957:—

Swissre Advisers, Limited—Insurance brokers and commission agents; Nominal Capital, HK\$10,000; Registered Office, 901 Great China House, Hongkong; Subscribers, Ulrich Albert Neukom, 522 The Peak, Hongkong; Alfred Sui Kay Lau, 69A Robinson Road, Hongkong, Solicitor.

Awase Meadows Clinic, Limited—Nominal Capital, HK\$180,550; Subscribers, Iris Lee, 50 Fuk Lo Tsun Road, Kowloon, Medical Practitioner; Chee Wong Fei Ying, 1 Derby Road, Kowloon Tong, Married Woman.

Po Yuen Bean-Cake Company, Limited—Nominal Capital, HK\$300,000; Registered Office, 13-15 Ka Wo Street, Aberdeen, Hongkong; Subscribers, Fung Ki Lui, 496 Lockhart Road, Hongkong, Merchant; Fung Lok Cheung, 13-15 Ka Wo Street, Aberdeen, Hongkong, Merchant.

Paris Restaurant Limited—Nominal Capital, HK\$450,000; Registered Office, Shaws Building, Nathan Road, Kowloon; Subscribers, Lau Ling Sang, 14A Sau Chuk Yuen Road, Kowloon, Merchant; Poon Dat Keung, 75 Chatham Road, Kowloon, Merchant.

Nan Kang Company, Limited—Importers & exporters; Nominal Capital, HK\$1 million; Registered Office, 305/308 Union Building, Hongkong; Subscribers, Jack Y. H. Yuen, 14B Headland Road, Hongkong, Company Executive; T. W. Chien, 41 Chungking Arcade, Kowloon, Merchant.

Kenzar, Limited—Importers & exporters; Nominal Capital, HK\$500,000; Registered Office, c/o Lowe, Bingham and Matthews, 7th floor, Alexandra House, Hongkong; Subscribers, Raymond E. Moore, 1 Des Voeux Road Central, Hongkong, Solicitor; W. C. Hung, 1 Des Voeux Road Central, Hongkong, Solicitor.

Sackin and Chow Company, Limited—Importers & exporters, etc.; Nominal Capital, HK\$100,000; Registered Office, 116 Windsor House, Des Voeux Road Central, Hongkong; Subscribers, Sackin

Chan, 1-B Bonham Road, Hongkong, Merchant; Chau Tin Cheuk, 42 Boundary Street, Kowloon, Merchant.

Dhanamall Company (Hongkong) Limited—Importers & exporters; Nominal Capital, HK\$1 million; Registered Office, 23 Hollywood Road, Hongkong; Subscribers, Shamdas Nathumal Asnani, 60A King's Road, Hongkong, Merchant; Gianchand Bhugromal Datwani, 60A King's Road, Hongkong, Merchant.

Tai Shing Shipping Company Limited—Nominal Capital, HK\$500,000; Registered Office, 65 Des Voeux Road West, Hongkong; Subscribers, Lee Kai, 237 Hennessy Road, Hongkong, Merchant; Ng Ki, 142 Connaught Road Central, Hongkong, Merchant.

Ajax Engineering and Construction Company Limited—Nominal Capital, US\$50,000; Registered Office, 136 Hongkong Hotel Building, Hongkong; Subscribers, Raymond E. Moore, 1 Des Voeux Road Central, Hongkong, Solicitor; W. C. Hung, 1 Des Voeux Road Central, Hongkong, Solicitor.

Kim Nguan Company Limited—Importers and exporters; Nominal Capital, HK\$300,000; Registered Office, 57 Jervois Street, Hongkong; Subscribers, Sukri Bodiratnangkura alias Kim Yong Nguan, 174-176 Sampeng Street, Bangkok, Thailand, Merchant; Ngo Choon Min, 57 Jervois Street, Hongkong, Merchant; Chang Yung Hui, 73B Waterloo Road, Kowloon, Merchant.

Yung Hing Investment Company, Limited—To invest in land, etc.; Nominal Capital, HK\$1 million; Registered Office, 3 Peace Avenue, Homantin, Kowloon; Subscribers, Tsan To Wan, 3 Peace Avenue, Homantin, Kowloon, Merchant; Tsan To Piu, same address, Merchant.

Kinefoto Limited—Photographic Printers; Nominal Capital, HK\$100,000; Subscribers, Russell Y. C. Yuh, 8 Kwai Fong Street, Hongkong, Merchant; Maria Doong, same address, Housewife.

Hongkong Woven Textiles Limited—Export and importers; Nominal Capital, HK\$100,000; Registered Office, 1 Des Voeux Road, Central, Hongkong; Subscribers, R. H. Hindmarsh, 1 Des Voeux Road, Central, Hongkong, Solicitor; J. R. Oliver, same address, Solicitor.